

AMERICAN FORK CITY
Financial Statements
June 30, 2005

AMERICAN FORK CITY

Financial Statements

June 30, 2005

Table of Contents

Independent Auditors' Report	1
Management's Discussion and Analysis (unaudited)	MDA-1
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	5
Fund Financial Statements	
Governmental Funds	
Balance Sheet	7
Reconciliation of the Governmental Funds Balance Sheet to	
Government-wide Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balances	9
Reconciliation of the Statement of Revenues, Expenditures and Changes	
In Fund Balance of Governmental Funds to the Statement of Activities	10
Proprietary Funds	
Statement of Net Assets	11
Statement of Revenues, Expenses and Changes in Net Assets	12
Statement of Cash Flows	13
Notes to Financial Statements	15
Required Supplementary Information	
Modified Approach – Asset Management System Reporting	36
Road Network	
Bridge Network	
Budgetary Comparison Schedule – General Fund	38
Other Supplementary Information	
Combining Financial Statements – Non-Major Governmental Funds	
Combining Balance Sheet	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	41
Individual Fund Financial Statements and Schedules	
General Fund	
Balance Sheet	43
Statement of Revenues, Expenditures and Changes in	
Fund Balance – Budget and Actual	44
Analysis of Expenditures	47
Comparative Five-Year Statement of Revenues,	
Expenditures and Changes in Fund Balance	48

Special Revenue Funds	
Combining Balance Sheet	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	51
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
American Fork Arts Council	53
Redevelopment Agency	54
Downtown Redevelopment	55
Celebration Committee	56
Fitness Center	57
Debt Service Fund	
Balance Sheet	58
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	59
Capital Projects Fund	
Balance Sheet	60
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	61
Permanent Fund	
Balance Sheet	62
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	63
Proprietary Funds	
Combining Statement of Net Assets	64
Combining Statement of Revenues, Expenses and Changes in Net Assets	66
Combining Statement of Cash Flows	67
Statement of Revenues, Expenses and Changes in Net Assets – Budget and Actual:	
Sewer and Water Fund	68
Building Lease Fund	69
Broadband Fund	70
Additional Schedules	
General Fund Property Tax Levies and Collections	71
Schedule of Insurance in Force	72
Additional Auditors' Reports	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73
Utah State Compliance Report Based on the Requirements, Special Tests, and Provisions Required by the State of Utah's Legal Compliance Audit Guide	75



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor
and Members of the City Council
American Fork City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of American Fork City, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, the required supplementary information, Modified Approach – Asset Management System, and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the City's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

November 15, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of American Fork City, we offer readers of American Fork City's financial statements this narrative, discussion, overview and analysis of the financial activities of American Fork City for the fiscal year ended June 30, 2005.

FINANCIAL HIGHLIGHTS

- The assets of American Fork City exceeded the liabilities as of the close of the most recent year by \$83,977,449 (net assets). Of this amount \$15,485,271 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- In the general fund, revenues exceeded expenditures by \$2,617,694, before inter-fund transfers.
- At the close of the fiscal year, the unreserved fund balance of the general fund totaled \$1,574,127 or 12.6% of total general fund revenues. State statutes allow a maximum unreserved fund balance of 18% of total general fund revenues.
- The City issued \$5,810,000 of new debt in the form of sales tax revenue bonds, and issued \$10,960,000 in general obligation refunding bonds.
- American Fork City was able to issue Sales Tax Revenue bonds in the amount of \$5,810,000 for projects funded through revenue from the RDA projects in the City. The projects being funded are: improvements to the American Fork City Amphitheater; renovating the Old City Hall for use of a cultural center; improvements to the boat harbor, improvements and upgrade of the fitness center, including arts classrooms; and the creation of a skate park.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the City, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the City changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*.) The governmental activities of the City include general government and administration, public safety, public works, library and cemetery. The business-type activities of the City include Water and Sewer, Broadband, and the Building Lease.

Please refer to the table of contents for the location of the government-wide financial statements.

FUND FINANCIAL STATEMENTS. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

GOVERNMENTAL FUNDS. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between government funds and government activities.

The City maintains 11 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service and capital projects, all of which are considered to be major funds. Data from the other 7 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for the general fund and major special revenue funds to demonstrate compliance with those budgets.

Please refer to the table of contents for the location of the basic governmental fund financial statements.

PROPRIETARY FUNDS. The City maintains three *proprietary fund* types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, broadband and building lease funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, broadband and building lease funds which are all considered to be major funds of the City.

FIDUCIARY FUNDS. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for *proprietary funds*.

Please refer to the table of contents for the location of the basic *fiduciary fund* financial statements.

NOTES TO THE FINANCIAL STATEMENTS. The *notes* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

OTHER INFORMATION. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City.

The combining statements referred to earlier in connection with non-major governmental funds and the enterprise fund is presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of American Fork City, assets exceed liabilities by \$83,977,449 (net assets) at the close of the most recent fiscal year.

An additional portion of the City's net assets (approximately 4%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted

net assets \$15,188,494 may be used to meet the government's ongoing obligations to citizens and creditors

As of June 30, 2005, the City is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

AMERICAN FORK CITY NET ASSETS

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
	<u>2005</u>	<u>2005</u>	<u>2005</u>
Current and other assets	\$20,454,173	\$6,911,555	\$27,365,728
Capital assets	63,309,566	40,850,715	104,160,281
Total assets	<u>\$83,763,739</u>	<u>\$47,762,270</u>	<u>\$131,526,009</u>
Long-term liabilities outstanding	\$27,646,836	\$5,037,915	\$32,684,751
Other Liabilities	13,001,885	1,861,924	14,863,809
Total liabilities	<u>\$40,648,721</u>	<u>\$6,899,839</u>	<u>\$47,548,560</u>
Net assets:			
Invested in capital assets, net of related debt	\$38,296,273	\$27,144,412	\$65,440,685
Restricted	1,236,888	1,814,605	3,051,493
Unrestricted	3,581,857	11,903,414	15,485,271
Total net assets	<u>\$43,115,018</u>	<u>\$40,862,431</u>	<u>\$83,977,449</u>

GOVERNMENTAL ACTIVITIES. Governmental activities decreased the City's net assets by \$1,245,963 to a year-end balance of \$43,115,018. A large part of this decrease was due to a large decrease in developer contributions.

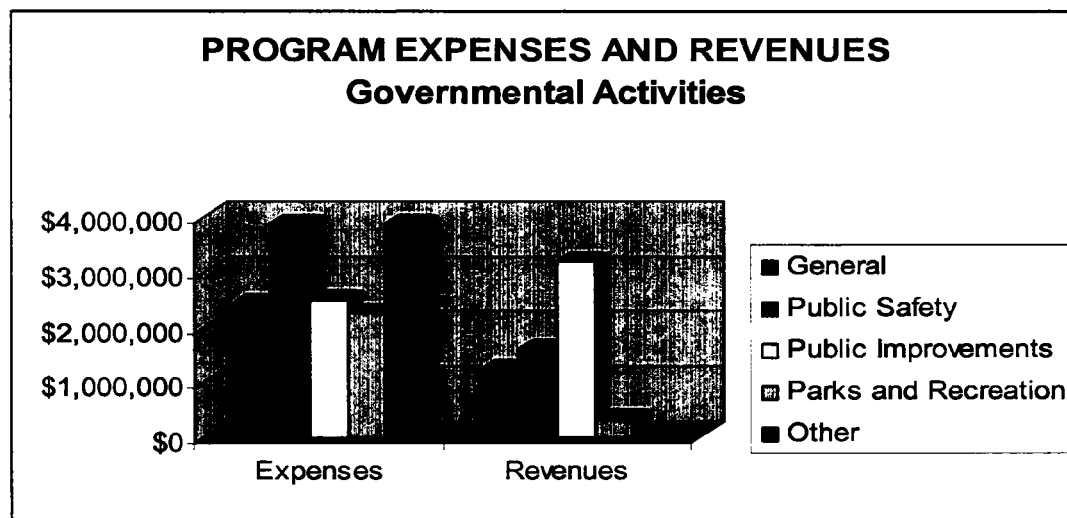
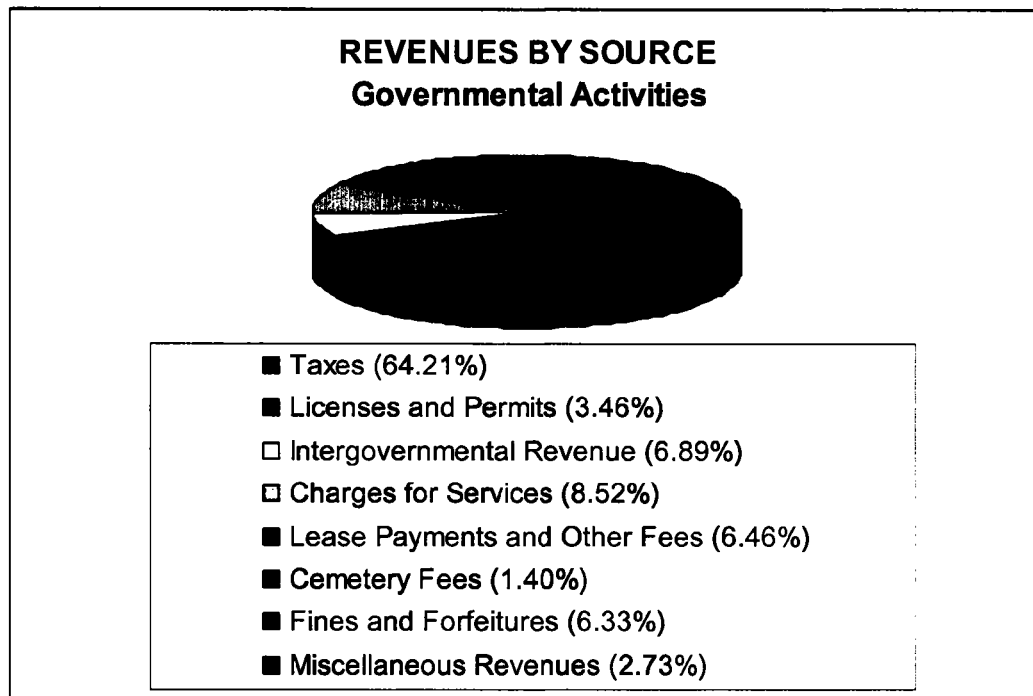
Charges for services have remained relatively consistent in American Fork City. Revenue from charges for services increased. Revenues for Licenses and permits decreased slightly for the fiscal year. This reflects decrease reflects the leveling-off of the business sector build-out.

Cemetery fees increased from \$108,330 to \$175,283. This increase will taper off until the City is able to procure additional cemetery land.

Property tax collections increased from \$664,954 in 2004 to \$818,730 in 2005. The percentage of total tax collections in 2005 was 92.8%.

Sales tax increased. This is primarily due to development in the City's Special Improvement Districts.

Capital outlay expenses decreased for purchases of capital assets. This was mainly due to conservative budgeting practices used to meet operational needs and build up the general fund balance.



BUSINESS-TYPE ACTIVITIES. Business-Type Activities net assets increased \$4,628,120 to a year end balance of \$40,862,431, largely due to an increase in developer contributions.

AMERICAN FORK CITY CHANGES IN NET ASSETS

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
	<u>2005</u>	<u>2005</u>	<u>2005</u>
Revenues:			
Program Revenues:			
Charges for Services	\$4,446,961	\$5,407,895	\$9,854,856
Grants and contributions	3,183,737	1,352,630	4,536,367
General Revenues:			
Property taxes	2,640,479		2,640,479
Other taxes	5,368,407		5,368,407
Other	626,582	117,280	743,862
Transfers	-2,649,787	2,649,787	0
Total Revenues and	<u>\$13,616,379</u>	<u>\$9,527,592</u>	<u>\$23,143,971</u>
Transfers			
Expenses:			
General government	\$14,862,342		\$14,862,342
Water and Sewer		\$3,816,664	3,816,664
Broadband		1,082,808	1,082,808
Total expenses	<u>\$14,862,342</u>	<u>\$4,899,472</u>	<u>\$19,761,814</u>
Increase in net assets	(1,245,963)	4,628,120	3,382,157
Net assets-beginning	44,360,981	36,234,311	80,595,292
Net assets-ending	<u>\$43,115,018</u>	<u>\$40,862,431</u>	<u>\$83,977,449</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the year, the American Fork City's governmental funds reported combined ending fund balances of \$11,450,964. An increase of \$5,187,838 in comparison with the prior year. Approximately 36 percent of this amount (\$4,094,866) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been

committed 1) to pay for debt service (\$339,969) and 2) to pay for capital projects (\$7,016,129).

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the general fund was \$ 1,574,127. Total fund balance was also \$1,574,127. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 9.44 percent of the total general fund expenditures.

PROPRIETARY FUNDS. The city's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the respective proprietary funds are Water and Sewer \$42,320,010, Broadband (\$1,486,846) and Building Lease \$29,267.

GENERAL FUND BUDGETARY HIGHLIGHTS. The difference between the original budget and the final amended budget was \$12,325,000, a major portion of which can be attributed to adjustments to allow for new bonding. This may be summarized as follows:

- \$ 1,203,800 increase in the general government.
- \$ 39,000 special revenue fund.
- \$ 6,425,400 increase in capital improvements.
- \$ 4,328,500 increase in the Special Improvement Budgets.
- \$ 190,000 increase in the fitness center.
- \$ 37,000 increase in the celebration fund
- \$ 101,300 increase in the G.O. Bond fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS. The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities and procuring equipment necessary for providing programs for the citizens of the City.

Major capital asset events during the current year included the following:

- \$ 1,553,517 was expended for park projects.
- \$ 388,993 was expended for the public safety building.
- \$ 171,010 was expended for public safety vehicles and equipment.
- \$ 1,474,386 was expended in the Special Improvement Districts.

The City has elected to use the modified approach to account for its infrastructure assets such as roads and bridges. That information can be found in the required supplemental information following the notes to the financial statements.

American Fork City Capital Assets

	Governmental Activities	Business-type Activities	Total
	<u>2005</u>	<u>2005</u>	<u>2005</u>
Land	\$15,034,141	\$13,479	\$15,047,620
Infrastructure	24,850,664		24,850,664
Buildings & Improvements	24,729,194	40,876,913	65,010,835
Equipment	5,935,645	2,701,811	9,336,949
Construction in progress	2,836,724	104,221	2,836,724
Accumulated Depreciation	(10,076,802)	(13,566,276)	(23,643,078)
Total	<u>\$63,309,566</u>	<u>\$30,130,148</u>	<u>\$93,439,714</u>

Additional information on American Fork City's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonded debt outstanding of \$37,392,892. The debt represents general obligation bonds, revenue bonds secured solely by specified revenue sources (i.e. revenue bonds.), and capital leases.

American Fork City Outstanding Debt

	Governmental Activities	Business-type Activities	Total
	<u>2005</u>	<u>2005</u>	<u>2005</u>
G.O. Bonds	\$20,010,000	\$464,000	\$20,474,000
Revenue Bonds	6,037,000	5,365,000	11,402,000
Special Assessment Bonds	5,478,000	0	5,478,000
Capital Lease	33,198	5,694	38,892
Total	<u>\$31,558,198</u>	<u>\$5,834,694</u>	<u>\$37,392,892</u>

State statutes limit the amount of general obligation debt a governmental entity may issue up to 8 percent of its total fair market value of taxable property in the City. The current fair market value of the taxable property in the City is \$ 899,876,107. The current debt limitation for the City is \$71,190,089. American Fork City has general obligation debt of \$20,474,000.

During the fiscal year, the City borrowed an additional \$22,595,292, and retired \$16,895,106 in outstanding debt. The increase was primarily due to the following:

- \$10,960,000 General Obligation Refunding Bonds, Series 2004 and 2005. Issued to refund or reduce interest on outstanding General Obligation Bonds.
- \$5,810,000 Sales Tax Revenue Bond, Series 2005. Issued to fund the City's RDA projects.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- American Fork City is located in Utah County. The unemployment rate for Utah County as of June 2005 was 4.5%. This is lower than the state unemployment rate (4.6%) for the same period.
- The City will be implementing rate studies for road impact fees.
- There are approximately 150 acres of commercial property currently being developed in American Fork City. This new development will provide new sales and property tax to the City. However, part of the new tax revenue will be restricted to off-set the cost of new public infrastructure that has been paid from the issuance of debt.

REQUESTS FOR INFORMATION. The financial report is designed to provide a general overview of American Fork City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to American Fork City, Finance Officer, 51 East Main Street, American Fork City, Utah 84003.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by accounting principles generally accepted in the United States of America. The statements include:

- Government-wide financial statements

- Fund financial statements

 - Governmental funds

 - Proprietary (enterprise) funds

AMERICAN FORK CITY
Government-wide Statement of Net Assets
June 30, 2005
With Comparative Totals for June 30, 2004

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	2004
ASSETS				
Cash and cash equivalents	\$ 7,349,748	\$ 3,586,887	\$ 10,936,635	\$ 7,531,241
Receivables (net of allowance)				
Accounts	149,747	711,804	861,551	723,974
Assessments	5,478,000		5,478,000	
Intergovernmental	111,414		111,414	81,192
Other	52,331	489,259	541,590	517,874
Prepaid expenses	21,662		21,662	
Inventory	10,703		10,703	9,640
Other				
Restricted cash and cash equivalents	7,589,568	1,814,605	9,404,173	7,665,533
Internal balances	(309,000)	309,000		
Capital assets				
Land	15,034,141	13,479	15,047,620	14,023,480
Buildings and improvements	24,729,194	40,281,641	65,010,835	56,439,247
Equipment	5,935,645	3,401,304	9,336,949	8,484,501
Infrastructure	24,850,664		24,850,664	20,894,678
Construction in progress	2,836,724		2,836,724	10,820,232
Accumulated depreciation	(10,076,802)	(13,566,276)	(23,643,078)	(21,368,272)
Water stock		10,720,567	10,720,567	10,178,032
Total assets	\$ 83,763,739	\$ 47,762,270	\$ 131,526,009	\$ 116,001,352

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

AMERICAN FORK CITY
Government-wide Statement of Net Assets
June 30, 2005
With Comparative Totals for June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
			2004
LIABILITIES AND NET ASSETS			
Liabilities			
Outstanding checks in excess of deposits	\$ 1,145,298		\$ 1,145,298
Accounts payable and accrued expenses	1,489,012	\$ 756,969	2,245,981
Accrued salaries, wages, and benefits	454,789	54,780	509,569
Accrued interest payable	87,314	33,241	120,555
Accrued compensated absences	311,462	87,314	398,776
Due to other governmental entities	88,141		88,141
Deposits	36,507	132,841	169,348
Deferred revenues	5,478,000		5,478,000
Noncurrent liabilities			
Due within one year	3,911,362	796,779	4,708,141
Due in more than one year	27,646,836	5,037,915	32,684,751
Total liabilities	<u>40,648,721</u>	<u>6,899,839</u>	<u>47,548,560</u>
Net assets			
Invested in capital assets, net of related debt	38,296,273	27,144,412	65,440,685
Restricted for			
Debt service	339,969		339,969
Capital projects	471,224	1,814,605	2,285,829
Permanent fund - cemetery care	425,695		425,695
Unrestricted	3,581,857	11,903,414	15,485,271
Total net assets	<u>43,115,018</u>	<u>40,862,431</u>	<u>83,977,449</u>
Total liabilities and net assets	<u>\$ 83,763,739</u>	<u>\$ 47,762,270</u>	<u>\$ 131,526,009</u>
			<u>\$ 116,001,352</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

AMERICAN FORK CITY
Government-wide Statement of Activities
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 2,411,173	\$ 1,245,570		
Public safety	3,858,693	1,464,463	\$ 148,174	
Public improvements	2,543,259	141,667	699,622	\$ 1,556,363
Parks and recreation	2,242,693	1,263,858		
Other	2,397,979	331,403	4,669	
Interest on long term debt	1,463,550			
Total governmental activities	14,917,347	4,446,961	852,465	1,556,363
Business-type activities				
Sewer and water	3,816,664	5,031,291		1,352,630
Building lease				
Broadband	1,082,808	376,604		
Total business-type activities	4,899,472	5,407,895		1,352,630
Total government	\$ 19,816,819	\$ 9,854,856	\$ 852,465	\$ 2,908,993
General revenues				
Taxes				
Advalorem				
Sales				
Energy				
Franchise				
Interest income				
Gain (loss) on sale/retirement of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year, as restated				
Net assets at end of year				

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expenses) Revenues
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	2004
\$ (1,165,603)		\$ (1,165,603)	\$ (1,486,014)
(2,246,056)		(2,246,056)	(1,894,977)
(145,607)		(145,607)	7,144,576
(978,835)		(978,835)	(1,085,833)
(2,061,907)		(2,061,907)	(1,834,917)
(1,463,550)		(1,463,550)	(1,170,424)
(8,061,558)		(8,061,558)	(327,589)
	\$ 2,567,257	2,567,257	3,151,373
	(706,204)	(706,204)	(15,108)
	1,861,053	1,861,053	(723,781)
			2,412,484
(8,061,558)	1,861,053	(6,200,505)	2,084,895
3,136,952		3,136,952	2,988,294
4,225,068		4,225,068	3,659,898
1,060,076		1,060,076	893,057
416,704		416,704	203,165
240,687	117,280	357,967	281,394
9,875		9,875	1,441,964
376,020		376,020	323,018
(2,649,787)	2,649,787		
6,815,595	2,767,067	9,582,662	9,790,790
(1,245,963)	4,628,120	3,382,157	11,875,685
44,360,981	36,234,311	80,595,292	68,719,607
\$ 43,115,018	\$ 40,862,431	\$ 83,977,449	\$ 80,595,292

**AMERICAN FORK CITY
GOVERNMENTAL FUNDS
Balance Sheet**

June 30, 2005

With Comparative Totals for June 30, 2004

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds	2004
ASSETS						
Cash and cash equivalents	\$ 3,286,918	\$ 1,695,994	\$ 585,679	\$ 1,781,157	\$ 7,349,748	\$ 5,102,226
Receivables (net of allowance)						
Accounts	149,747				149,747	151,258
Assessments	5,478,000				5,478,000	
Intergovernmental	111,414				111,414	81,192
Other	4,550			47,781	52,331	27,448
Due from other funds				18,253	18,253	6,186
Inventory				10,703	10,703	9,640
Prepaid expenses	21,582			80	21,662	
Restricted cash and cash equivalents		6,841,682	340,444	407,442	7,589,568	4,260,740
Total assets	\$ 9,052,211	\$ 8,537,676	\$ 926,123	\$ 2,265,416	\$ 20,781,426	\$ 9,638,690
LIABILITIES AND FUND BALANCE						
Liabilities						
Outstanding checks in excess of deposits	\$ 991,646			\$ 153,652	\$ 1,145,298	\$ 836,152
Accounts payable and accrued expenses	137,008	\$ 1,334,547		17,457	1,489,012	1,197,170
Accrued salaries, wages, and benefits	417,067			37,722	454,789	385,507
Accrued compensated absences	311,462				311,462	330,916
Due to other funds	18,253	187,000		122,000	327,253	503,186
Due to other governmental entities	88,141				88,141	87,904
Deposits	36,507				36,507	34,729
Deferred revenues	5,478,000				5,478,000	
Total liabilities	7,478,084	1,521,547		330,831	9,330,462	3,375,564
Fund Balance						
Reserved for						
Debt service			\$ 339,969		339,969	427,246
Capital projects		7,016,129			7,016,129	3,457,350
Unreserved, reported in						
General fund	1,574,127				1,574,127	812,861
Special revenue funds				1,508,890	1,508,890	787,561
Permanent fund				425,695	425,695	403,752
Debt service fund			586,154		586,154	374,356
Total fund balance	1,574,127	7,016,129	926,123	1,934,585	11,450,964	6,263,126
Total liabilities and fund balance	\$ 9,052,211	\$ 8,537,676	\$ 926,123	\$ 2,265,416	\$ 20,781,426	\$ 9,638,690

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

AMERICAN FORK CITY
Reconciliation of the Governmental Funds Balance Sheet to the
Government-wide Statement of Net Assets
June 30, 2005

Total fund balance - total governmental funds	\$ 11,450,964
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Amounts reported for governmental activities in the Government-wide Statement of Net Assets are different due to the following:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	63,309,566
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Interest payable, but not yet due, on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(87,314)
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Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.

Due within one year	(3,911,362)
Due in more than one year	<u>(27,646,836)</u>

Net assets of governmental activities	<u>\$ 43,115,018</u>
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SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

AMERICAN FORK CITY
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds	2004
Revenues						
Taxes	\$ 8,020,070			\$ 818,730	\$ 8,838,800	\$ 7,744,414
License and permits	432,302				432,302	439,697
Intergovernmental	861,015				861,015	935,385
Charges for services	1,064,379			21,943	1,086,322	1,078,447
Other fees and services	982,356			693,601	1,675,957	1,378,292
Fines and forfeitures	790,189				790,189	764,339
Miscellaneous	270,074	\$ 367,470		214,272	851,816	789,950
Interest income	71,404	110,785	\$ 14,565	43,933	240,687	163,430
Total revenues	<u>12,491,789</u>	<u>478,255</u>	<u>14,565</u>	<u>1,792,479</u>	<u>14,777,088</u>	<u>13,293,954</u>
Expenditures						
General government	2,171,525	31,695			2,203,220	2,231,881
Public safety	3,440,339	560,003			4,000,342	5,598,317
Public improvements	1,447,279	1,574,586		99,503	3,121,368	2,428,270
Parks and recreation	915,854	1,575,569		1,219,828	3,711,251	3,738,045
Other	1,899,098	394,370			2,293,468	1,935,054
Debt service						
Principal		3,963,708	1,480,000		5,443,708	1,234,300
Interest		498,998	982,044		1,481,042	1,065,618
Total expenditures	<u>9,874,095</u>	<u>8,598,929</u>	<u>2,462,044</u>	<u>1,319,331</u>	<u>22,254,399</u>	<u>18,231,485</u>
Excess (deficiency) of revenues over expenditures	<u>2,617,694</u>	<u>(8,120,674)</u>	<u>(2,447,479)</u>	<u>473,148</u>	<u>(7,477,311)</u>	<u>(4,937,531)</u>
Other financing sources (uses)						
Proceeds of refunding bonds			11,435,723		11,435,723	
Payment to bond refunding escrow			(11,435,723)		(11,435,723)	
Proceeds from debt		11,609,024			11,609,024	1,321,038
Transfers in	1,180,883	(678,382)	2,572,000	330,000	3,404,501	7,665,700
Transfers out	(3,037,311)	748,811		(59,876)	(2,348,376)	(4,743,569)
Total other financing sources (uses)	<u>(1,856,428)</u>	<u>11,679,453</u>	<u>2,572,000</u>	<u>270,124</u>	<u>12,665,149</u>	<u>4,243,169</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>761,266</u>	<u>3,558,779</u>	<u>124,521</u>	<u>743,272</u>	<u>5,187,838</u>	<u>(694,362)</u>
Fund balance, beginning of year	<u>812,861</u>	<u>3,457,350</u>	<u>801,602</u>	<u>1,191,313</u>	<u>6,263,126</u>	<u>6,957,488</u>
Fund balance, end of year	<u>\$ 1,574,127</u>	<u>\$ 7,016,129</u>	<u>\$ 926,123</u>	<u>\$ 1,934,585</u>	<u>\$ 11,450,964</u>	<u>\$ 6,263,126</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

AMERICAN FORK CITY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balances - total governmental funds	\$	5,187,838
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Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		9,825,551
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The net effect of various transactions involving capital assets (ie. Sales, trade ins, transfers and contributions) is to decrease net assets.		(8,773,475)
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Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Nets Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(1,262,427)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(6,136,136)
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Accrued interest expense on long-term debt is reported in the Government-wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.		(87,314)
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Change in net assets of governmental activities	\$	<u>(1,245,963)</u>
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SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

**AMERICAN FORK CITY
PROPRIETARY FUNDS**

Statement of Net Assets

June 30, 2005

With Comparative Totals for June 30, 2004

	Business Type Activities - Enterprise Funds				
	Sewer and Water Fund	Building Lease Fund	Broadband Fund	Totals	2004
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,988,721	\$ 29,235	\$ 72,256	\$ 2,090,212	\$ 968,268
Cash, State Treasurer's Pool	1,496,643	32		1,496,675	1,460,747
Accounts receivable, net of allowance	683,935		27,869	711,804	572,716
Note receivable, current portion	2,743			2,743	2,533
Due from other funds	309,000			309,000	497,000
Total current assets	4,481,042	29,267	100,125	4,610,434	3,501,264
Noncurrent assets					
Note receivable, non-current portion	486,516			486,516	487,893
Capital assets					
Land	13,479			13,479	13,479
Buildings and improvements	1,061,339			1,061,339	1,065,562
Improvements other than buildings	39,220,302			39,220,302	34,318,479
Machinery and equipment	552,888		2,848,416	3,401,304	2,688,011
Less: accumulated depreciation	(13,239,596)		(326,680)	(13,566,276)	(12,371,261)
Total capital assets	27,608,412		2,521,736	30,130,148	25,714,270
Water stock	10,720,567			10,720,567	10,178,032
Restricted cash and cash equivalents	371,532		1,443,073	1,814,605	3,403,743
Deposits					1,050
Total noncurrent assets	39,187,027		3,964,809	43,151,836	39,784,988
Total assets	\$ 43,668,069	\$ 29,267	\$ 4,064,934	\$ 47,762,270	\$ 43,286,252
LIABILITIES AND NET ASSETS					
Current liabilities					
Outstanding checks in excess of deposits					\$ 33,804
Accounts payable and accrued expenses	\$ 700,455		\$ 56,514	\$ 756,969	434,166
Accrued compensated absences	36,089		18,691	54,780	32,797
Accrued salaries and benefits payable	14,674		18,567	33,241	23,263
Interest payable			87,314	87,314	89,794
Long-term debt, current portion			796,779	796,779	312,083
Total current liabilities	751,218		977,865	1,729,083	925,907
Long-term liabilities					
Customer deposits	132,841			132,841	122,346
Long-term debt	464,000		4,573,915	5,037,915	6,003,688
Total long-term liabilities	596,841		4,573,915	5,170,756	6,126,034
Total liabilities	1,348,059		5,551,780	6,899,839	7,051,941
Net assets					
Invested in capital assets, net of related debt	27,144,412			27,144,412	23,088,803
Restricted					
Debt service					
Capital assets	371,532		1,443,073	1,814,605	3,403,743
Unrestricted	14,804,066	\$ 29,267	(2,929,919)	11,903,414	9,741,765
Total net assets	42,320,010	29,267	(1,486,846)	40,862,431	36,234,311
Total liabilities and net assets	\$ 43,668,069	\$ 29,267	\$ 4,064,934	\$ 47,762,270	\$ 43,286,252

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

AMERICAN FORK CITY
PROPRIETARY FUNDS
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	Business Type Activities - Enterprise Funds				
	Sewer and Water Fund	Building Lease Fund	Broadband Fund	Totals	2004
Operating revenues					
Charges for services	\$ 5,025,089		\$ 375,244	\$ 5,400,333	\$ 4,460,088
Other income	6,202		1,360	7,562	22,138
Total operating revenues	5,031,291		376,604	5,407,895	4,482,226
Operating expenses					
Salaries, wages, and employee benefits	562,969		483,047	1,046,016	825,934
Supplies and materials	330,130		106,535	436,665	480,736
Professional and technical	42,026			42,026	84,330
Depreciation and amortization	1,022,614		172,401	1,195,015	1,070,666
Other	1,843,963		53,014	1,896,977	1,780,985
Total operating expenses	3,801,702		814,997	4,616,699	4,242,651
Operating income (loss)	1,229,589		(438,393)	791,196	239,575
Non-operating income (expense)					
Interest income	61,150	\$ 1	56,129	117,280	123,929
Gain on disposal of capital assets					1,412,366
Bond interest expense	(14,962)		(267,811)	(282,773)	(284,894)
Total non-operating income (expense)	46,188	1	(211,682)	(165,493)	1,251,401
Income (loss) before capital contributions and operating transfers	1,275,777	1	(650,075)	625,703	1,490,976
Capital contributions	5,068,417			5,068,417	3,065,133
Operating transfers					
Transfers in					25,489
Transfers out	(1,066,000)			(1,066,000)	(2,961,000)
Net operating transfers	(1,066,000)			(1,066,000)	(2,935,511)
Net income (loss)	5,278,194	1	(650,075)	4,628,120	1,620,598
Net assets at beginning of year, as restated	37,041,816	29,266	(836,771)	36,234,311	34,613,713
Net assets at end of year	\$ 42,320,010	\$ 29,267	\$ (1,486,846)	\$ 40,862,431	\$ 36,234,311

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

**AMERICAN FORK CITY
PROPRIETARY FUNDS
Statement of Cash Flows**
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	Business-Type Activities Enterprise Funds				
	<u>Sewer and Water Fund</u>	<u>Building Lease Fund</u>	<u>Broadband Fund</u>	<u>Totals</u>	<u>2004</u>
Cash flows from operating activities					
Cash received from					
Customers	\$ 4,930,567		\$ 348,735	\$ 5,279,302	\$ 3,873,989
Lease income					159,787
Other					
Cash paid to/for					
Employees	(557,116)		(456,939)	(1,014,055)	(817,521)
Suppliers	(1,895,933)		(155,882)	(2,051,815)	(2,295,487)
Net cash provided by (used for) operating activities	<u>2,477,518</u>		<u>(264,086)</u>	<u>2,213,432</u>	<u>920,768</u>
Cash flows from noncapital financing activities					
Capital contributions	(878,000)			(878,000)	(2,243,511)
Net cash provided by (used for) noncapital financing activities	<u>(878,000)</u>			<u>(878,000)</u>	<u>(2,243,511)</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(382,341)		(702,670)	(1,085,011)	(1,245,077)
Proceeds from sale of capital assets					2,672,071
Proceeds from issuance of debt					521,247
Principal payments on debt	(170,000)		(311,077)	(481,077)	(1,434,221)
Interest paid on debt	(14,962)		(270,291)	(285,253)	(290,626)
Net cash provided (used for) capital and related financing activities	<u>(567,303)</u>		<u>(1,284,038)</u>	<u>(1,851,341)</u>	<u>223,394</u>
Cash flow from investing activities					
Interest income	61,150	\$ 1	56,129	117,280	123,929
Cash collected on note receivable	1,167				
Net cash provided by investing activities	<u>62,317</u>	<u>1</u>	<u>56,129</u>	<u>117,280</u>	<u>123,929</u>
Net increase (decrease) in cash	1,094,532	1	(1,491,995)	(398,629)	(975,420)
Cash balance (net of outstanding checks in excess of deposits) at beginning of year	<u>2,762,364</u>	<u>29,266</u>	<u>3,007,324</u>	<u>5,798,954</u>	<u>6,774,374</u>
Cash balance (net of outstanding checks in excess of deposits) at end of year	<u>\$ 3,856,896</u>	<u>\$ 29,267</u>	<u>\$ 1,515,329</u>	<u>\$ 5,400,325</u>	<u>\$ 5,798,954</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

**AMERICAN FORK CITY
PROPRIETARY FUNDS
Statement of Cash Flows**
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	Business-Type Activities Enterprise Funds				2004
	Sewer and Water Fund	Building Lease Fund	Broadband Fund	Totals	
Reconciliation to operating income					
Operating income (loss)	\$ 1,229,589		\$ (438,393)	\$ 791,196	\$ 239,575
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	1,022,614		172,401	1,195,015	
(Increase) decrease in accounts receivable	(111,219)			(111,219)	(462,208)
Increase (decrease) in accounts payable	1,050			1,050	50,564
Increase (decrease) in accrued salaries payable	319,136		3,667	322,803	5,778
Increase (decrease) in accrued compensated absences	(114)		10,092	9,978	2,634
Increase (decrease) in customer deposits	5,967		16,016	21,983	13,759
Increase (decrease) in customer deposits	10495.00			10,495	
Net cash provided by (used for) operating activities	<u>\$ 2,477,518</u>	<u>\$ -</u>	<u>\$ (236,217)</u>	<u>\$ 2,241,301</u>	<u>\$ (149,898)</u>
Non-cash investing, capital and financing activities					
Contribution from contractors, water rights, \$294,300.					
Contribution from contractors, water and sewer improvements, \$2,256,286.					
The City purchased \$7,292 of equipment with a capital lease.					
Reconciliation of total cash and cash investments:					
Cash and cash equivalents (net of outstanding checks in excess of deposits)	\$ 3,485,364	\$ 29,267	\$ 72,256	\$ 3,586,887	\$ 2,395,211
Restricted cash and cash equivalents	371,532		1,443,073	3,586,887	3,403,743
Total cash and cash investments	<u>\$ 3,856,896</u>	<u>\$ 29,267</u>	<u>\$ 1,515,329</u>	<u>\$ 5,401,492</u>	<u>\$ 5,798,954</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS.

NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

American Fork City, Utah (City) was incorporated under the laws of the Territory of Utah in 1853. The City operates under a Council-Mayor form of government and provides the following broad range of services to its citizens: general administrative services, public safety (police and fire), highways and streets, sanitation, recreation and parks, public improvements, planning and zoning. It also operates the water and sewer utilities and provides a digital service network.

Accounting and Reporting Policies

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Boards (GASB). Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Principles Used in Determining Scope of Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of American Fork City. The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. Based on the foregoing criteria, the financial statements of the American Fork Arts Council and the Redevelopment Agency are included in the accompanying financial statements and reported in the American Fork Arts Council and Redevelopment Agency special revenue funds. The accounts of Tri-City Golf Course and Timpanogos Special Service District are excluded from the accompanying financial statements because the entities are autonomous and have a self-elected board of directors responsible for their operations and the hiring of their management personnel. The City pays Timpanogos Special Service District for its share of services received. Timpanogos Special Service District receives payments from other nearby cities receiving these same services. Tri-City Golf Course was established in 1973 by American Fork City, Pleasant Grove City, and Lehi City. The Golf Course has its own board with one member of the city council serving on that board.

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities,

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (*Continued*)

which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of the given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most of the governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt.

Capital Projects Fund

The Capital Projects Fund is used to account for funds received and expended for the acquisition or construction of capital facilities, improvements, and equipment (other than those financed by proprietary funds).

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Building Lease Fund

The Building Lease Fund was used to account for the lease of the old hospital building to a healthcare organization. The building was sold to the lessee in July 2004.

Sewer and Water Fund

The Sewer and Water Fund is used to account for the provision of sewer and water services to the residents of the City. Activities of the fund include administration, operations and maintenance of the sewer and water system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt, and capital improvements. All costs are financed through charges to utility customers.

Broadband Fund

The Broadband Fund is a new activity that is in the startup phase of operations. The fund is used to account for the provision of digital services to businesses and internet service providers within the network. Activities of the fund include administration, operations and maintenance of the network system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt, and capital improvements. All costs will be financed through charges to internet service providers and business connections.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, materials and supplies, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the balance sheet and the operating statements present increases (revenues) and decreases

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting

(expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers amounts collected within 60 days after year end to be available. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Budgetary Control

Budgets are prepared for City funds on the cash basis while the modified accrual or accrual basis is used to account and prepare fund financial reports.

The City Council approves by resolution the total budget appropriation by fund. The City Administrator is authorized to transfer budget amounts within departments of a fund. Any revisions that alter the total appropriations of any fund must be approved by the City Council. A public hearing is held anytime an increase in total appropriations is made. The budget was amended in fiscal year 2005. Unused appropriations for all of the annually budgeted funds lapse at the end of the year.

Cash and Cash Equivalents

City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents for reporting purposes in the Statement of Cash Flows for the Proprietary Funds.

Compensated Absences

Compensated absences consist of vacation pay. The City accrues vacation pay when earned. Sick leave does not vest to City employees upon their termination and is therefore not accrued. However, the City does have a policy which allows employees to buy back sick leave in excess of the maximum accumulation limit.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied and tax notices are sent on November 1. All unpaid taxes are due and become delinquent on November 30. Property tax revenues are recognized by the City when they are collected. Property taxes and fees on licensed motor vehicles are collected on a monthly basis in the month in which the individual motor vehicle license is renewed. Property taxes are billed and collected by Utah County on behalf of the City and remitted to the City monthly. At June 30, 2005, only delinquent taxes are uncollected. The amount of collectible delinquent taxes at June 30, 2005 is not considered significant.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at June 30, 2005 and revenues and expenses during the year then ended. The actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment in the governmental funds.

Assets, having an original cost of \$5,000 or more are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	10 – 50 years
Improvements other than buildings	20 – 50 years
Machinery and equipment	5 – 20 years
Infrastructure	40 – 60 years

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The City has adopted an allowable alternative to reporting depreciation for its road and bridge networks. Under this alternative method, referred to as the "modified approach," the City must maintain an asset management system and demonstrate that its roads and bridges are being preserved at or above condition levels established by City policy. Infrastructure assets accounted for under the modified approach are not depreciated, and maintenance and preservation costs are expensed.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations in both Governmental and Proprietary Funds.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first utilizes restricted resources to finance qualifying activities.

NOTE 2 – CASH AND CASH EQUIVALENTS

The City follows the requirements of the Utah Money Management Act (*Utah Code Annotated 1953, Section 51, Chapter 7*) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. No deposits are collateralized, nor are they required to be by State statute. The State Treasurer's Pool is a pooled investment fund managed by the Utah State Treasurer. The fair value for the State Treasurer's Pool at June 30, 2005 does not materially differ from its carrying amount.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

At June 30, 2005, the book balance of the City's general operating account included net outstanding checks in excess of bank balance totaling \$1,145,298 which is reflected as a liability in the financial statements.

The State Treasurer's Pool is a pooled investment fund managed by the Utah State Treasurer. The degree of risk associated with the investments held by the State Treasurer's Pool depends on the underlying portfolio. Therefore, these amounts are not categorized according to risk. The summary of investments provided by the State Treasurer shows pooled investments in commercial paper, certificates of deposit, corporate notes, US Treasury obligations, and obligations of the agencies of the United States.

The City's deposits and investments are categorized in the following table to give an indication of the level of risk assumed by the City at year end. Category 1 includes deposits and investments that are insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes deposits and investments that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes deposits and investments that are uninsured and uncollateralized, including any bank balance that is collateralized with securities, held by the pledging financial institution or its trust department or agent but not in the City's name.

At June 30, 2005, \$9,404,173 of the City's cash and short-term investments was restricted for particular uses.

	Categories			Bank Balance	Carrying Amount
	1	2	3		
Deposits and investments					
Cash and cash equivalents	\$ 715,727		\$ 8,333,035	\$ 9,048,762	\$ 8,842,398
State Treasurer's Pool				10,353,112	10,353,112
Total	<u>\$ 715,728</u>	<u>\$ - 0 -</u>	<u>\$ 8,333,038</u>	<u>\$ 19,401,874</u>	<u>\$ 19,195,510</u>
Cash and cash equivalents					\$ 10,936,635
Restricted cash and cash equivalents					9,404,173
Checks in excess of deposits					(1,145,298)
Total					<u>\$ 19,195,510</u>

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable of \$1,173,194 for the proprietary funds consists of \$683,935 operating receivables and \$489,259 note receivable from Heritage Care Center (See Note 18) in the Sewer and Water fund. Accounts receivable for the Sewer and Water Fund is net of the reserve for bad debts of \$5,000. During the year, accounts determined to be worthless and uncollectible are charged against the reserve.

NOTE 4 – SPECIAL ASSESSMENT RECEIVABLES AND DEFERRED REVENUE

During fiscal year 2005, the City assessed property owners \$1,625,000 for the Alpine Special Improvement District. The special assessment receivable is being collected in 10 annual installments. The amount billed and collected each year is equal to the corresponding special assessment bonds principal and interest payable.

During fiscal year 2005, the City assessed property owners \$3,853,000 for the Meadows Special Improvement District. The special assessment receivable is being collected in 10 annual installments. The amount billed and collected each year is equal to the corresponding special assessment bonds principal and interest payable.

Governmental accounting principles require that special assessment revenue be recognized when the underlying event has occurred (levy) and demand for payment is made (billing).

NOTE 5 – OTHER ASSETS WATER SHARES

At June 30, 2005, the City had water shares which are stated at historical cost or estimated historical cost, in the amount of \$10,720,567. Water shares and rights acquired by the City via development are recorded at fair market value at the time of the contribution. Utah State law allows the trading of water shares but precludes the sale or disposition of water shares or rights acquired or otherwise controlled by the City.

NOTE 6 – RETIREMENT PLANS

State Retirement

American Fork City contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Retirement System for employers with Social Security coverage. These retirement systems are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 6 – RETIREMENT PLANS (CONTINUED)

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code Annotated* 1953 (Chapter 49) as amended which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

American Fork City is required to contribute 11.09% of annual covered salary on behalf of participants in the Local Governmental Noncontributory Retirement System. In the Public Safety Retirement System for employers with Social Security coverage contributory division members are required to contribute 12.29% of their salary (all of which was paid by American Fork City for the employee) and American Fork City is required to contribute 7.70% of their annual salary and 19.08% of their annual covered salary for members in the noncontributory division. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

American Fork City's contributions have been as follows:

	Fiscal Year Ending		
	2005	2004	2003
Local Governmental - Noncontributory	\$ 322,493	\$ 259,060	\$ 205,762
Public Safety - Contributory	11,145	9,161	7,641
Public Safety - Noncontributory	226,965	185,988	156,484

The contributions were equal to the required contributions for each year.

Cafeteria / Deferred Compensation Plans

The City offers a cafeteria plan to all full-time employees to fund a variety of employee benefit programs including a 401K plan, life insurance, disability insurance, health insurance, and other benefits.

Also, the City has established a voluntary deferred compensation program pursuant to Section 457 of the Internal Revenue Code. In accordance with Governmental Accounting Standards Board Statement 32 (GASB No. 32), the assets and income of the 457 Plan are held in trust for the exclusive benefit of the participants or their beneficiaries.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	Primary Government		
	Beginning Balance	Increases	Decreases
			Ending Balance
Governmental activities:			
Capital assets not being depreciated:			
Land and improvements	\$ 14,010,001	\$ 1,024,140	\$ 15,034,141
Bridge network	1,353,714		1,353,714
Road network	10,274,018	3,260,761	13,534,779
Construction in progress	10,820,232	2,393,727	\$ (10,377,235)
Total capital assets not being depreciated	36,457,965	6,678,628	(10,377,235)
Other capital assets:			
Buildings and improvements	21,055,206	3,673,988	24,729,194
Equipment	5,796,490	334,073	(194,918)
Curb and gutter	9,266,946	695,225	9,962,171
Total other capital assets at historical cost	36,118,642	4,703,286	(194,918)
Less accumulated depreciation for:			
Buildings and improvements	(2,884,931)	(522,135)	(3,407,066)
Equipment	(3,568,200)	(503,073)	182,636
Curb and gutter	(2,543,880)	(237,219)	(2,781,099)
Total accumulated depreciation	(8,997,011)	(1,262,427)	182,636
Other capital assets, net	27,121,631	3,440,859	(12,282)
Governmental activities capital assets, net	\$ 63,579,596	\$ 10,119,487	\$ (10,389,517)
Business-type activities:			
Capital assets not being depreciated:			
Land and improvements	\$ 13,479		\$ 13,479
Construction in progress		\$ 104,221	104,221
Total capital assets not being depreciated	13,479	104,221	
Other capital assets:			
Buildings and improvements	35,384,041	5,497,095	\$ (4,223)
Equipment	2,688,011	13,800	40,876,913
Total other capital assets at historical cost	38,072,052	5,510,895	(4,223)
Less accumulated depreciation for:			
Buildings and improvements	(12,099,005)	(1,125,500)	(13,224,505)
Equipment	(272,256)	(69,515)	(341,771)
Total accumulated depreciation	(12,371,261)	(1,195,015)	(13,566,276)
Other capital assets, net	25,700,791	4,315,880	(4,223)
Business-type activities capital assets, net	\$ 25,714,270	\$ 4,420,101	\$ (4,223)

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Governmental activities depreciation expense:

General government	\$ 438,512
Administration	24,118
Ambulance	41,108
Building/Grounds	4,160
Building inspection	10,997
Cemetery	24,421
Engineering	9,384
Fire	34,741
Fitness center	100,683
Library	115,384
Parks	47,044
Police	248,226
Public works	53,674
Recreation	1,337
Senior citizens	264
Streets	104,874
Unassigned surplus	3,500

Total governmental activities depreciation expense	\$ 1,262,427
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Business-type activities depreciation expense:

Sewer and water	\$ 1,022,613
Broadband	172,402

Total business-type activities depreciation expense	\$ 1,195,015
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NOTE 8 – DEFICIT NET ASSETS

For the year ended June 30, 2005, the City had negative equity in the Broadband Fund. During fiscal year 2003, an existing high-speed broadband system was purchased from a private company. The start-up phase includes bringing up the existing system, upgrades, and expansion of the infrastructure. The City began providing wholesale services to internet providers during the fiscal year. It is anticipated that by fiscal year 2008, the user penetration rate will generate sufficient revenues to offset operating expenses.

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to purchase commercial insurance for these risks. Various policies are purchased through an insurance agency to cover liability, theft, damage, and other losses. A minimal deductible applies to these policies which the City pays in the event of any loss. There have been no significant reductions in the coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The City also has purchased a workers' compensation policy.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 10 — LONG-TERM DEBT

Individual Terms and Payment Schedules

	<u>Governmental</u>	<u>Business-type</u>
General Obligation Bonds		
\$850,000, General Obligation Water System Bond, due in annual installments on January 1 of \$44,000 to \$45,000 from 1993 to 2011, bearing no interest.		\$ 270,000
\$29,000, General Obligation Water System Bond, series 1991 C due in full on January 1, 2011, bearing no interest.		29,000
\$9,980,000 General Obligation Public Safety Building and Refunding Bonds, due in annual installments on June 1 of \$300,000 to \$365,000 from 2001 to 2010. Interest at 4.6% to 5.25% is due in semi-annual payments on June 1 and December 1.	\$ 2,550,000	165,000
\$9,200,000 General Obligation Bond, due in annual installments on December 1 of \$390,000 to \$435,000 from 1998 to 2007. Interest at 4.4% to 5.5% is due in semi-annual payments on June 1 and December 1.	1,235,000	
\$3,200,000 General Obligation Bond, due in annual installments on September 1 of \$170,000 to \$275,000 from 2004 to 2019. Interest at 2.25% to 4.25% is due in semi-annual payments on September 1 and March 1.	3,030,000	
\$2,500,000 General Obligation Bond, due in annual installments on June 1 of \$40,000 to \$190,000 from 2003 to 2021. Interest at 3% to 4.8% is due in semi-annual payments on December 1 and June 1.	2,260,000	
\$5,415,000 General Obligation Bond, due in annual installments on June 1 of \$25,000 to \$610,000 from 2004 to 2020. Interest at 3% to 4.1% is due in semi-annual payments on December 1 and June 1.	5,390,000	

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 10 — LONG-TERM DEBT (CONTINUED)

\$5,545,000 General Obligation Bond, due in annual installments on June 1 of \$445,000 to \$690,000 from 2005 to 2017. Interest at 4.0% to 5% is due in semi-annual payments on December 1 and June 1.

5,545,000

Total General Obligation Bonds

20,010,000

464,000

Revenue Bonds

Governmental

Business-type

\$1,824,000, 1995 Excise Tax Revenue Bond, due in annual principal payments on July 1 of \$147,000 to \$227,000 from 1996 to 2005. Interest at 4.85% to 5.45% is due in semi-annual payments on January 1 and July 1.

227,000

\$6,000,000, 2003 Sales Tax Revenue Bonds, due in annual installments on March 1 of \$310,000 to \$550,000 from 2004 to 2018. Interest at 1.75% to 5.6% is due in semi-annual payments on March 1 and September 1.

5,365,000

\$5,810,000, 2005 Sales Tax Revenue Bonds, due in annual installments on March 1 of \$300,000 to \$465,000 from 2005 to 2019. Interest at 3.5% to 5% is due in semi-annual payments on March 1 and September 1.

5,810,000

Total Revenue Bonds

6,037,000

5,365,000

Special Assessment Bonds

\$1,625,000, 2004 Special Assessment Bond, due in annual principal payments on November 30, of \$162,000 to \$163,000 from 2005 to 2014. Interest at 4.1% is due in annual payments on November 1.

1,625,000

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 10 — LONG-TERM DEBT (CONTINUED)

\$3,853,000, 2004 Special Assessment Bond, due in 3,853,000
annual principal payments on November 30, of \$385,000 to
\$386,000 from 2005 to 2014. Interest at 4.1%
is due in annual payments on November 1.

Total Special Assessment	5,478,000	
Capital Leases	33,198	5,694
Total Debt	<u>\$ 31,558,198</u>	<u>\$ 5,834,694</u>

Transactions for the year ended June 30, 2005 are summarized as follows

	Balance June 30, 2004	Issues or Additions	Payments or Expenditures	Balance June 30, 2005	Due within one year
Governmental Type Activities					
General Obligation Bonds	\$ 20,930,000	\$ 10,960,000	\$ 11,880,000	\$ 20,010,000	\$ 2,363,623
Revenue Bonds	442,000	5,810,000	215,000	6,037,000	749,050
Special Assessment Bonds		5,478,000		5,478,000	773,598
Capital Lease	41,228	21,150	29,180	33,198	25,091
Interim Warrants	3,963,707	326,142	4,289,849		
Total governmental activities	<u>25,376,935</u>	<u>22,595,292</u>	<u>16,414,029</u>	<u>31,558,198</u>	<u>3,911,362</u>
Business-Type Activities					
General Obligation Bonds	634,000		170,000	464,000	217,755
Revenue Bonds	5,675,000		310,000	5,365,000	576,942
Capital Lease	6,771		1,077	5,694	2,082
Total business-type activities	<u>6,315,771</u>		<u>481,077</u>	<u>5,834,694</u>	<u>796,779</u>
Total government	<u>\$ 31,737,706</u>	<u>\$ 22,595,292</u>	<u>\$ 16,895,106</u>	<u>\$ 37,392,892</u>	<u>\$ 4,708,141</u>

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 10 – LONG-TERM DEBT (CONTINUED)

The General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. The general revenues of the City are contingently liable for the General Obligation Bonds which are currently outstanding and recorded as obligations of the business-type activities. The full faith and credit of the City is pledged to redeem these bonds if revenues from the proprietary funds are insufficient to meet the obligations. There are a number of covenants and restrictions contained in the revenue bonds. The City was in compliance with all significant covenants and restrictions related to the bonds at June 30, 2005.

General Obligation Bonds future debt service requirements

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 1,325,000	\$ 802,744	\$ 210,000	\$ 7,755
2007	1,370,000	765,188	45,000	
2008	1,380,000	722,006	45,000	
2009	1,145,000	670,169	45,000	
2010	1,195,000	623,409	45,000	
2011-2015	6,755,000	2,315,996	74,000	
2016-2020	6,650,000	755,256		
2021	190,000	9,120		
Total	<u>\$ 20,010,000</u>	<u>\$ 6,663,888</u>	<u>\$ 464,000</u>	<u>\$ 7,755</u>

Revenue Bonds future debt service requirements

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	527,000	222,049	315,000	261,942
2007	405,000	224,988	325,000	252,493
2008	425,000	210,813	340,000	241,150
2009	425,000	195,938	350,000	227,924
2010	400,000	180,000	365,000	213,189
2011-2015	2,220,000	640,200	2,110,000	786,542
2016-2018	1,635,000	176,800	1,560,000	178,080
	<u>\$ 6,037,000</u>	<u>\$ 1,850,788</u>	<u>\$ 5,365,000</u>	<u>\$ 2,161,320</u>

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 10 — LONG-TERM DEBT (CONTINUED)

Special Assessment Bonds future debt service requirements

Year Ending June 30,	Governmental Activities		Business Type	
	Principal	Interest	Principal	Interest
2006	\$ 549,000	\$ 224,598		
2007	549,000	202,089		
2008	549,000	179,580		
2009	548,000	157,071		
2010	548,000	134,603		
2011-2015	547,000	112,135		
Total	<u>\$ 5,478,000</u>	<u>\$ 1,234,346</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

The City entered into a capital lease agreement with Textron Financial in September 2003 to purchase maintenance equipment for the local parks. The City financed the purchase over thirty-six months at a stated rate of 5.70% and an effective rate of 5.86% interest. Monthly payments \$1,753 are required through August 2006. The lease is secured by the equipment. The maintenance equipment is recorded at \$57,785 with accumulated amortization of \$7,242.

The City entered into a capital lease agreement with Ford Motor Co. in July 2004 to purchase a van. The City financed the purchase over thirty-six months at a stated rate of 4.35% and an effective rate of 4.65% interest. Annual payments of \$4,045 are required through July 2007. The lease is secured by the van. The van is recorded at \$21,150 with accumulated amortization of \$4,160.

Capital Leases future debt service requirements:

Year Ending June 30,	Governmental	Business
2006	\$25,081	\$2,083
2007	5,910	2,083
2008-2009	4,045	3,819
Total minimum lease payments	<u>35,036</u>	<u>7,985</u>
Amount representing interest	<u>(1,838)</u>	<u>(2,291)</u>
Present value of minimum lease payments	<u>33,198</u>	<u>5,694</u>
Amount due within one year	<u>(25,091)</u>	<u>2,083</u>
	<u>\$8,107</u>	<u>\$3,611</u>

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 11 – COMMITMENTS

In April 2003, the City issued bonds to improve the parks. The estimated completion date of the improvements is June 2007.

In April 2005, the City issued \$5,810,000 in sales tax revenue bonds for redevelopment projects. The estimated completion date is June 2006.

NOTE 12 - REDEVELOPMENT AGENCY DISCLOSURES

In accordance with Section 17A-2-1217(3), the following information is provided for the Redevelopment Agency Fund:

- A) The tax increment collected by the Redevelopment Agency Fund was as follows:

West Side	\$ 46,860
East Side	53,980
Business Park	553,822
Egg Farm	164,069

- B) There were no tax increments paid to any taxing agency pursuant to Section 17A-2-1258 during the year ended June 30, 2005.

- C) The outstanding principal amount of bonds issued or other loans incurred to finance the costs associated with the project areas are as follows:

Bonds payable	\$ -0-
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- D) The following amounts were expended during the year ended June 30, 2005:

i) Property acquisition	\$ - 0 -
ii) Site improvements	- 0 -
iii) Public utilities and improvements	109,504
iv) Administrative costs	40,000

NOTE 13 – INTERFUND BALANCES

The interfund balances at June 30, 2005 consisted of the following:

	<u>Due To</u>	<u>Due From</u>
General fund		\$ 18,253
Capital projects fund		187,000
Sewer and water fund	\$ 497,000	188,000
Perpetual care trust fund	18,253	
Redevelopment agency		122,000
Total	<u>\$ 515,253</u>	<u>\$ 515,253</u>

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 13 – INTERFUND BALANCES (CONTINUED)

The balance due to the Sewer and Water Fund is loans for capital projects that will be repaid from debt proceeds. The balance due to the other governmental funds is because of the timing of the interest income transferred from the general fund.

NOTE 14 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 1,180,883	\$ 3,037,311
Capital projects fund	748,811	678,382
Debt service fund	2,572,000	
Other government funds	330,000	50,001
Sewer and water fund		1,066,000
Total	<u>\$ 4,831,694</u>	<u>\$ 4,831,694</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund or the fund remitting the debt service payments as they become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 15 – RESERVED FUND BALANCE

At June 30, 2004, the following City funds have been reserved.

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service Fund	\$ 342,718	Bond requirements
Capital Projects Fund	296,777	Impact fees for parks
Capital Projects Fund	6,544,905	Construction projects
Permanent Fund	425,695	Cemetery care
Broadband Fund	1,443,073	Construction projects
Sewer and Water Fund	371,532	Impact fees for system improvements
Total	<u>\$ 9,424,700</u>	

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 16 – LESSOR LEASING ARRANGEMENTS

The City entered into an agreement with the State of Utah to lease office and court space to the Fourth Judicial District and Juvenile Courts. The lease agreement is through September 30, 2022, with five year renewal options. The annual lease payment is \$349,300 through September 2022. The Court will also pay \$81,578 annually for operating and maintenance costs through fiscal year 2007. The operating and maintenance portion will then be adjusted based on the City's actual costs.

Courts Building Lease	
Year	Amount
2006	\$ 349,300
2007	349,300
2008	349,300
2009	349,300
2010	349,300
2011-2015	1,746,500
2016-2020	1,746,500
2021-2022	698,600
Total	<u>\$ 5,938,100</u>

NOTE 17 – RECLASSIFICATION

Comparative data for the prior year have been presented in the financial statements to provide an understanding of changes in the City's financial position and results of operations. Certain data for the prior year have been reclassified to conform with the June 30, 2005 presentation.

NOTE 18 - SALE OF HOSPITAL

The City sold the old hospital building to the tenant, Heritage Care Center, for \$2,686,964 in July 2003.

The City is financing \$492,000 of the sales price. The City's loan is secured by a second position interest in the building. The City's security is subordinate to the U.S. Department of Housing and Urban Development (HUD) which holds the first position interest.

Repayment of the note is subject to Heritage Care Center being in a surplus cash position as defined by their regulatory agreement with HUD. The City did not receive all payments in fiscal year 2005 due to the surplus cash requirement. The note receivable is recorded in the Water and Sewer fund.

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 18 - SALE OF HOSPITAL (CONTINUED)

Scheduled principal and interest payments are as follows:

June 30,	Principal	Interest	Total
2006	\$ 2,757	\$ 39,177	\$ 41,934
2007	2,971	38,963	41,934
2008	3,217	38,717	41,934
2009	3,484	38,450	41,934
2010-2014	22,270	187,400	209,670
2015-2019	33,179	176,491	209,670
2020-2024	49,432	160,238	209,670
2025-2029	73,644	136,026	209,670
2030-2034	109,720	99,950	209,670
2035-2038	188,585	45,103	233,688
	<u>\$489,259</u>	<u>\$960,515</u>	<u>\$1,449,774</u>

NOTE 19 - CONTINGENT LIABILITY

In late Summer 2002, American Fork City purchased fiber optic lines and assets of a now defunct entity, Switchpoint. At the time of the purchase, Switchpoint was leasing a network operations center (NOC) in the Central Park Office Buildings (DMP) in Orem. The purchase of Switchpoint did not include prior lease agreements or property on DMP premises. The City did, however, send signals through the NOC on DMP property pursuant to an oral agreement. In March 2004, the agents of DMP revoked permission to use the NOC, and asserted a claim against the City for compensation for past use. The amount of the liability cannot be determined at this time, but the City believes that any potential losses will not exceed \$15,000.

On September 14, 2004, the City was served with a claim by individuals and entities that distribute Kirby Vacuum cleaners. The City is one of over 30 communities in Utah that has been sued for having a solicitors license/permit requirement. The amount of the liability cannot be determined at this time. The City believes the claim will not exceed \$15,000.

In August 2003, the City was served a claim by an individual for injuries sustained when they stepped on a loose manhole cover. The amount of the liability cannot be determined at this time. The City believes the claim will not exceed \$10,000.

NOTE 20 - REFUNDING BONDS

On December 1, 2004, the City issued \$5,415,000 General Obligation Refunding Bonds Series 2004. The City will use the proceeds to advance refund \$4,880,000 of the \$8,000,000 outstanding 2000 General Obligation Bonds with an average interest rate of 5.35%. The average interest rates of the new

AMERICAN FORK CITY
Notes to Financial Statements
June 30, 2005

NOTE 20 — REFUNDING BONDS (CONTINUED)

bonds range between 3.0% and 4.0%. The net proceeds of \$5,326,150 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2000 General Obligation Bonds. As a result, the 2000 General Obligation Bonds are considered to be defeased and the liabilities for the bonds have been removed from the statement of net assets.

The advance refunding reduced total debt service payments over the next 14 years by approximately \$174,000. This results in a net economic gain (difference between the present values of the debt service payments on the old and new debt) of \$129,397.

On June 1, 2005, the City issued \$5,545,000 General Obligation Refunding Bonds Series 2005. The City will use the proceeds to advance refund \$5,735,000 of the \$6,970,000 outstanding 1997 General Obligation Library Bonds with an average interest rate of 4.91%. The average interest rate of the new bonds ranges from 4.0% to 5.0%. The net proceeds of \$5,887,635 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 General Obligation Bonds. As a result, the 1997 General Obligation Bonds are considered to be defeased and the liabilities for the bonds have been removed from the statement of net assets.

The advance refunding reduced total debt service payments over the next 13 years by approximately \$304,000. This results in a net economic gain (difference between the present values of the debt service payments on the old and new debt) of \$236,307.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Such information includes:

Modified Approach – Asset Management System Reporting

Road Network

Bridge Network

Budgetary Comparison Schedules – General Fund

AMERICAN FORK CITY
Required Supplementary Information
Modified Approach – Asset Management System

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the City has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the "modified approach," infrastructure assets are not depreciated, and maintenance and preservation costs are expensed. The City capitalizes costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach.

In order to utilize the modified approach, the City is required to:

Maintain an asset management system that includes and up-to-date inventory of eligible infrastructure assets.

Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.

Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the City.

Document whether the infrastructure assets are being preserved approximately at, or above the condition level established by the City.

Road System

The condition of the City's 96 miles of road pavement is measured using the Distress Identification Manual for Long-Term Pavement Performance Projects published by the Strategic Highway Research Program (SHRP), which is based on a weighted average of seven distress factors found in pavement surfaces. The pavement management system uses a measurement scale that is based on a condition index ranging from zero to 20 years remaining service life for pavement. The condition index is used to classify roads in the following remaining service life categories: 19 to 20 years, 13 to 18 years, 9 to 12 years, 7 to 8 years, and 0 to 6 years. It's the City's policy to maintain the roads with an average remaining service life of 8.5 years or greater. The initial condition assessment was performed in fiscal year 2001 and yielded an average remaining service life (RSL) of 8.5 years. The 2004 assessment indicated an average RSL of 9.0 years. Condition assessments are performed every three years.

Accounting principles generally accepted in the United States of America require reporting the last three complete condition assessments and needed-to-actual information for five years. However, the City implemented these new standards in fiscal year 2003, and did not collect the information for the prior years. The City will continue to collect and retain this information to facilitate, over a period of five years, the reporting of the required information. The schedule below showing the percentage of roads in each service life category only presents information as of the most recent condition assessment period.

AMERICAN FORK CITY
Required Supplementary Information
Modified Approach – Asset Management System

Bridge Network

The condition of the City's bridges is determined using the Structures Inventory System to monitor the condition of the nine City owned bridges. A number, ranging from 1 – 100, is calculated based on condition, geometry, functional use, safety, and other factors. Three categories of condition are established, 80 to 100, 50 to 79, and 1 to 49. It's the City's policy to maintain bridges with an average score of 70 or better. The City's average score based on the initial condition assessment was 89. A condition assessment performed last fiscal year yielded an average score of 91. Condition assessments are performed every two years.

Accounting principles generally accepted in the United States of America require reporting the last three complete condition assessments and needed-to-actual information for five years. However, the City implemented these new standards in fiscal year 2003, and did not collect the information for the prior years. The City will continue to collect and retain this information to facilitate, over a period of five years, the reporting of the required information. The schedule below showing the percentage of bridges in each condition assessment category only presents information as of the most recent condition assessment period.

Subjective Condition Rating of Street Network		Subjective Condition Rating of Bridge Network	
Percentage of Network		Percentage of Network	
0 to 6	49.10%	80 to 100	77.78%
7 to 8	17.28%	50 to 79	22.22%
9 to 12	13.28%	0 to 49	0.00%
13 to 18	5.02%	Total	<u>100.00%</u>
19 to 20	<u>15.32%</u>		
Total	<u>100.00%</u>		
Average remaining service life	9	Average score	91

Comparison of Needed-to-Actual Costs
Road and Bridge
Maintenance/Preservation

	2003	2004	2005
Needed	\$ 411,335	\$ 414,310	\$ 413,310
Actual	396,711	397,593	224,442

AMERICAN FORK CITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Revenues (inflows)				
Taxes	\$ 7,855,700	\$ 7,969,000	\$ 8,020,070	\$ 51,070
License and permits	383,000	404,500	432,302	27,802
Intergovernmental	778,000	952,100	861,015	(91,085)
Charges for services	1,964,000	1,254,200	1,064,379	(189,821)
Other fees and services	986,400	983,100	982,356	(744)
Fines and forfeitures	798,600	798,000	790,189	(7,811)
Miscellaneous	303,700	538,900	270,074	(268,826)
Transfers in	1,101,400	1,180,883	1,180,883	
Interest income	56,000	63,100	71,404	8,304
Total revenues	<u>14,226,800</u>	<u>14,143,783</u>	<u>13,672,672</u>	<u>(471,111)</u>
Expenditures (outflows)				
General government	2,153,400	2,241,500	2,171,525	69,975
Public safety	3,537,200	3,516,400	3,440,339	76,061
Public improvements	2,405,400	1,641,400	1,447,279	194,121
Parks and recreation	942,800	956,500	915,854	40,646
Other	1,339,000	1,918,500	1,899,098	19,402
Transfers out	3,449,000	3,585,700	(3,037,311)	6,623,011
Total expenditures	<u>13,826,800</u>	<u>13,860,000</u>	<u>6,836,784</u>	<u>7,023,216</u>
Excess (deficiency) of revenues over expenditures	400,000	283,783	6,835,888	<u>\$ 6,552,105</u>
Fund balance, beginning of year	<u>761,266</u>	<u>761,266</u>	<u>761,266</u>	
Fund balance, end of year	<u>\$ 1,161,266</u>	<u>\$ 1,045,049</u>	<u>\$ 7,597,154</u>	

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by accounting principles generally accepted in the United States of America, nor a part of the basic financial statements, but are presented for additional analysis.

Such statements and schedules include:

Combining Financial Statements – Non-Major Governmental Funds

Individual Fund Financial Statements and Schedules

General Fund

Special Revenue Funds

Debt Service Fund

Capital Projects Fund

Permanent Fund

Proprietary Funds

Additional Schedules

General Fund Property Tax Levies and Collections

Schedule of Insurance in Force

Additional Auditors' Reports

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit Performed in Accordance
with *Government Auditing Standards*

Utah State Compliance Report Based on the Requirements,
Special Tests, and Provisions Required by the State of
Utah's Legal Compliance Guide.

COMBINING FINANCIAL STATEMENTS NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

American Fork Arts Council Fund – to account for the arts and cultural activities of the City.

Redevelopment Agency Fund – to account for the tax increment collected and disbursed for public improvements.

Downtown Redevelopment Fund – to account for grant funds received from the U.S. Department of Justice and to account for activities that promote growth and development of the City.

Celebration Committee Fund – to account for the activities of Steel Days, the City's annual celebration.

Fitness Center Fund – to account for the activities of the City's fitness center.

Permanent Fund

Cemetery Care Fund – to account for the fund received and disbursed for cemetery care.

AMERICAN FORK CITY
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005
With Comparative Totals for June 30, 2004

	Special Revenue Funds		
	American Fork Arts Council	Redevelopment Agency Fund	Downtown Redevelopment Fund
ASSETS			
Cash, checking	\$ 19,720		
Cash, State Treasurer's Pool		\$ 1,582,995	\$ 31,342
Notes receivable			47,781
Due from other funds			
Inventory			
Prepaid expenses	80		
Restricted cash			
	<u>\$ 19,800</u>	<u>\$ 1,582,995</u>	<u>\$ 79,123</u>
Total assets			
LIABILITIES AND FUND BALANCE			
Liabilities			
Checks outstanding in excess of deposits		\$ 150,838	\$ 2,814
Accounts payable			
Accrued salaries and benefits payable			
Due to other funds		122,000	
Total liabilities		<u>272,838</u>	<u>2,814</u>
Fund balance			
Unreserved	\$ 19,800	1,310,157	76,309
Total fund balance	<u>19,800</u>	<u>1,310,157</u>	<u>76,309</u>
Total liabilities and fund balance	<u>\$ 19,800</u>	<u>\$ 1,582,995</u>	<u>\$ 79,123</u>

<u>Celebration Committee Fund</u>	<u>Fitness Center Fund</u>	<u>Permanent Cemetery Care Fund</u>	<u>Total Other Governmental Funds</u>	<u>2004</u>
\$ 40,118	\$ 16,872 90,110		\$ 76,710 1,704,447 47,781	\$ 53,449 958,435 13,623
7,269	3,434	\$ 18,253	18,253 10,703 80	6,186 9,640
		407,442	407,442	397,566
<u>\$ 47,387</u>	<u>\$ 110,416</u>	<u>\$ 425,695</u>	<u>\$ 2,265,416</u>	<u>\$ 1,438,899</u>
			\$ 153,652 17,457 37,722 122,000	76,244 \$ 16,524 32,818 122,000
<u>5,137</u>	<u>50,042</u>		<u>330,831</u>	<u>247,586</u>
42,250	60,374	\$ 425,695	1,934,585	1,191,313
<u>42,250</u>	<u>60,374</u>	<u>425,695</u>	<u>1,934,585</u>	<u>1,191,313</u>
<u>\$ 47,387</u>	<u>\$ 110,416</u>	<u>\$ 425,695</u>	<u>\$ 2,265,416</u>	<u>\$ 1,438,899</u>

AMERICAN FORK CITY
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	Special Revenue Funds		
	American Fork Arts Council	Redevelopment Agency Fund	Downtown Redevelopment Fund
Revenues			
Taxes		\$ 818,730	
Intergovernmental			
Charges for services			
Other fees and services	\$ 77,568		
Miscellaneous			
Interest income		30,412	\$ 1,482
Total revenues	<u>77,568</u>	<u>849,142</u>	<u>1,482</u>
Expenditures			
Public improvements		99,503	
Parks and recreation	88,635		522
Total expenditures	<u>88,635</u>	<u>99,503</u>	<u>522</u>
Excess (deficiency) of revenues over expenditures	<u>(11,067)</u>	<u>749,639</u>	<u>960</u>
Other financing sources (uses)			
Operating transfers in	25,000		
Operating transfers out		(50,000)	
Total other financing sources (uses)	<u>25,000</u>	<u>(50,000)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>13,933</u>	<u>699,639</u>	<u>960</u>
Fund balance beginning of year	<u>5,867</u>	<u>610,518</u>	<u>75,349</u>
Fund balance at end of year	<u>\$ 19,800</u>	<u>\$ 1,310,157</u>	<u>\$ 76,309</u>

<u>Celebration Committee Fund</u>	<u>Fitness Center Fund</u>	<u>Permanent Cemetery Care Fund</u>	<u>Total Other Governmental Funds</u>	<u>2004</u>
			\$ 818,730	\$ 664,957
				7,415
		\$ 21,943	21,943	14,482
\$ 74,470	\$ 541,563		693,601	694,903
	214,272		214,272	154,545
	2,163	9,876	43,933	14,762
<u>74,470</u>	<u>757,998</u>	<u>31,819</u>	<u>1,792,479</u>	<u>1,551,064</u>
			99,503	161,750
92,123	1,038,548		1,219,828	1,298,972
<u>92,123</u>	<u>1,038,548</u>		<u>1,319,331</u>	<u>1,460,722</u>
<u>(17,653)</u>	<u>(280,550)</u>	<u>31,819</u>	<u>473,148</u>	<u>90,342</u>
25,000	280,000		330,000	427,000
		(9,876)	(59,876)	(122,269)
<u>25,000</u>	<u>280,000</u>	<u>(9,876)</u>	<u>270,124</u>	<u>304,731</u>
7,347	(550)	21,943	743,272	395,073
34,903	60,924	403,752	1,191,313	796,240
<u>\$ 42,250</u>	<u>\$ 60,374</u>	<u>\$ 425,695</u>	<u>\$ 1,934,585</u>	<u>\$ 1,191,313</u>

GENERAL FUND

The general fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds.

AMERICAN FORK CITY
GENERAL FUND
Balance Sheet
June 30, 2005
With Comparative Totals for June 30, 2004

ASSETS	<u>2005</u>	<u>2004</u>
Petty cash	\$ 400	\$ 400
Cash, checking	168,535	47,564
Cash, State Treasurer's Pool	3,117,983	2,349,804
Prepaid expenses	21,582	
Receivables, net of allowance:		
Intergovernmental	111,414	81,192
Garbage billings	73,190	69,967
Ambulance	76,557	81,291
Assessments	5,478,000	
Grants	4,550	13,825
Total assets	<u>\$ 9,052,211</u>	<u>\$ 2,644,043</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Outstanding checks in excess of deposits	\$ 991,646	\$ 759,908
Accounts payable and accrued expenses	137,008	258,850
Accrued compensated absences	311,462	330,916
Accrued salaries and benefits	417,067	352,689
Due to other funds	18,253	6,186
Due to other governmental entities	88,141	87,904
Performance bonds payable	36,507	34,729
Deferred revenue	5,478,000	
Total liabilities	<u>7,478,084</u>	<u>1,831,182</u>
Fund Balance		
Unreserved	1,574,127	812,861
Total fund balance	<u>1,574,127</u>	<u>812,861</u>
Total liabilities and fund balance	<u>\$ 9,052,211</u>	<u>\$ 2,644,043</u>

AMERICAN FORK CITY
GENERAL FUND
Statement of Revenues, Expenditures and Changes in
Fund Balance Budget and Actual
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005		Variance	
	Budget	Actual	Favorable (Unfavorable)	2004
Revenues				
Taxes				
Property taxes	\$ 1,890,000	\$ 1,880,371	\$ (9,629)	\$ 1,803,475
Delinquent taxes	180,000	130,983	(49,017)	186,508
Sales taxes	4,370,000	4,225,068	(144,932)	3,659,898
Energy taxes	990,000	1,060,076	70,076	893,057
Franchise taxes	184,000	83,263	(100,737)	203,165
Motor vehicle fees	340,000	295,684	(44,316)	317,663
Telephone tax	15,000	333,441	318,441	
Penalties and interest		11,184	11,184	15,691
Total	7,969,000	8,020,070	51,070	7,079,457
Licenses and permits				
Business licenses	52,000	59,628	7,628	54,606
Building permits	350,000	370,110	20,110	382,750
Dog licenses and other	2,500	2,564	64	2,341
Total	404,500	432,302	27,802	439,697
Intergovernmental revenue				
State and other grants	137,100	142,988	5,888	112,844
Road fund allotments	800,000	699,622	(100,378)	799,734
Liquor fund allotments	15,000	18,405	3,405	15,392
Total	952,100	861,015	(91,085)	927,970
Charges for services				
Fire protection	13,300	14,980	1,680	16,753
Ambulance fees	526,400	342,383	(184,017)	348,118
Refuse collection	714,000	706,384	(7,616)	698,454
Sale of plastic bags	500	632	132	640
Total	1,254,200	1,064,379	(189,821)	1,063,965

AMERICAN FORK CITY
GENERAL FUND
Statement of Revenues, Expenditures and Changes in
Fund Balance Budget and Actual
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005		Variance	
	Budget	Actual	Favorable (Unfavorable)	2004
Revenues (continued)				
Lease payments and other fees				
Safety contracts	314,200	316,910	2,710	227,665
Recreation fees	202,800	229,853	27,053	137,230
Library fees	72,000	84,125	12,125	79,683
Library development	5,000	8,065	3,065	5,170
Literacy center	2,000		(2,000)	2,215
Interlocal contributions	108,200	76,500	(31,700)	76,500
Senior citizens fees	7,200	6,583	(617)	6,150
Boat harbor fees	60,000	21,107	(38,893)	40,446
Utility late fees	50,000	63,146	13,146	
Transaction fees		784	784	40,446
Total	<u>821,400</u>	<u>807,073</u>	<u>(14,327)</u>	<u>575,059</u>
Cemetery fees				
Sale of lots	95,700	104,507	8,807	57,255
Perpetual care interest	6,000	9,876		
Grave opening fees	60,000	60,900	900	51,075
Total	<u>161,700</u>	<u>175,283</u>	<u>9,707</u>	<u>108,330</u>
Fines and forfeitures				
Fines	153,100	173,242	20,142	184,688
Garbage late fee	29,900			
Police reimbursement	10,000	13,854	3,854	
Traffic school	185,000	180,355	(4,645)	160,213
State reimbursement and rent	420,000	422,738	2,738	419,438
Total	<u>798,000</u>	<u>790,189</u>	<u>22,089</u>	<u>764,339</u>
Miscellaneous revenues				
Interest earnings	63,100	71,404	8,304	44,103
Rents and concessions	500		(500)	288
Development and plan fees	136,700	141,667	4,967	97,968
Sale of surplus property and equipment	43,500	22,157	(21,343)	29,400
Other revenue	358,200	106,250	(251,950)	116,054
Total	<u>602,000</u>	<u>341,478</u>	<u>(260,522)</u>	<u>287,813</u>
Total revenues	<u>\$ 12,962,900</u>	<u>\$ 12,491,789</u>	<u>\$ (445,087)</u>	<u>\$ 11,246,630</u>

AMERICAN FORK CITY
GENERAL FUND
Statement of Revenues, Expenditures and Changes in
Fund Balance Budget and Actual
For the Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003

	2005		Variance Favorable (Unfavorable)	2004
	Budget	Actual		
Expenditures				
General government				
Administration	\$ 964,000	\$ 951,405	\$ 12,595	\$ 972,934
Council	106,000	104,992	1,008	97,451
Legal	282,300	273,743	8,557	260,945
Executive	82,100	74,450	7,650	60,442
Data processing	32,600	24,794	7,806	86,960
Public works	142,100	134,082	8,018	136,393
Fleet maintenance	77,800	77,432	368	77,267
Building and grounds	554,600	530,627	23,973	520,381
Total	2,241,500	2,171,525	69,975	2,212,773
Public safety				
Police department	2,926,300	2,891,649	34,651	2,717,681
Fire department	216,500	182,161	34,339	143,712
Ambulance department	373,600	366,529	7,071	326,297
Total	3,516,400	3,440,339	76,061	3,187,690
Public improvements				
Engineering	161,200	146,620	14,580	130,501
Inspection department	411,300	401,227	10,073	395,380
Public improvements	1,068,900	899,432	169,468	1,060,567
Total	1,641,400	1,447,279	194,121	1,586,448
Parks and recreation				
Parks department	491,400	459,011	32,389	468,999
Senior citizens	19,200	18,186	1,014	22,788
Boat harbor	41,000	38,006	2,994	43,758
Recreation department	395,100	391,791	3,309	351,506
Beautification	9,800	8,860	940	5,993
Total	956,500	915,854	40,646	893,044
Other				
Sanitation	714,000	713,789	211	700,116
Library department	487,300	473,492	13,808	465,717
Literacy center	75,300	75,885	(585)	71,342
Cemetery department	391,800	388,139	3,661	374,315
Planning commission	206,800	208,211	(1,411)	117,017
Miscellaneous	43,300	39,582	3,718	59,629
Total	1,918,500	1,899,098	19,402	1,788,136
Total expenditures	10,274,300	9,874,095	400,205	9,668,091
Excess of revenues over expenditures	2,688,600	2,617,694	(44,882)	1,578,539
Other financing sources (uses)				
Operating transfers in	1,428,200	1,180,883	(247,317)	2,701,000
Operating transfers out	(3,585,700)	(3,037,311)		(4,515,300)
Total other financing sources (uses)	(2,157,500)	(1,856,428)	(247,317)	(1,814,300)
Deficiency of revenues and other financing sources over expenditures and other financing uses	531,100	761,266	\$ (292,199)	(235,761)
Fund balance at beginning of year	812,861	812,861		1,048,622
Fund balance at end of year	\$ 1,343,961	\$ 1,574,127		\$ 812,861

AMERICAN FORK CITY
GENERAL FUND
Analysis of Expenditures
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005					2004
	Salaries, Wages and Benefits	Materials, Supplies, and Services	Other Charges	Capital Outlay	Total	Total
General government						
Administration	\$ 500,012	\$ 43,826	\$ 407,523	\$ 44	\$ 951,405	\$ 972,934
Council	69,375		35,617		104,992	97,451
Legal	272,837	240	666		273,743	260,945
Executive	28,481	38,083	7,886		74,450	60,442
Data processing	(3,896)	27,150		1,540	24,794	86,960
Public works	107,007	24,353	2,722		134,082	136,393
Fleet maintenance	76,219	692	521		77,432	77,267
Building and grounds	240,910	289,717			530,627	520,381
Total	<u>1,290,945</u>	<u>424,061</u>	<u>454,935</u>	<u>1,584</u>	<u>2,171,525</u>	<u>2,212,773</u>
Public safety						
Police department	2,477,694	375,561	38,189	205	2,891,649	2,717,681
Fire department	163,866	11,534	5,009	1,752	182,161	143,712
Ambulance department	266,484	70,194	22,590	7,261	366,529	326,297
Total	<u>2,908,044</u>	<u>457,289</u>	<u>65,788</u>	<u>9,218</u>	<u>3,440,339</u>	<u>3,187,690</u>
Public improvements						
Engineering	117,781	7,764	20,109	966	146,620	130,501
Inspection department	378,787	16,083	5,686	671	401,227	395,380
Public improvements	381,011	245,690	35,746	236,985	899,432	662,974
Roads - class "C"					-	397,593
Total	<u>877,579</u>	<u>269,537</u>	<u>61,541</u>	<u>238,622</u>	<u>1,447,279</u>	<u>1,586,448</u>
Parks and recreation						
Parks department	364,353	78,044	1,146	15,468	459,011	468,999
Senior citizens	7,499	3,085	7,602		18,186	22,788
Boat harbor	32,369	1,335	3,327	975	38,006	43,758
Recreation department	220,043	168,094	3,654		391,791	351,506
Beautification			8,860		8,860	5,993
Total	<u>624,264</u>	<u>250,558</u>	<u>24,589</u>	<u>16,443</u>	<u>915,854</u>	<u>893,044</u>
Other						
Sanitation		713,789			713,789	700,116
Library department	384,230	88,197	1,065		473,492	465,717
Literacy center	74,147	1,465	273		75,885	71,342
Cemetery department	337,849	44,469	619	5,202	388,139	374,315
Planning commission	200,693	3,436	3,134	948	208,211	117,017
Miscellaneous	4,122	35,460			39,582	59,629
Total	<u>1,001,041</u>	<u>886,816</u>	<u>5,091</u>	<u>6,150</u>	<u>1,899,098</u>	<u>1,788,136</u>
	<u>\$ 6,701,873</u>	<u>\$ 2,288,261</u>	<u>\$ 611,944</u>	<u>\$ 272,017</u>	<u>\$ 9,874,095</u>	<u>\$ 9,668,091</u>

**AMERICAN FORK CITY
GENERAL FUND
Comparative Five Year Statement of Revenues,
Expenditures and Changes in Fund Balance
Years Ended June 30,**

	2005	2004	2003	2002	2001	2000
Revenues						
Taxes	\$ 8,020,070	\$ 7,079,457	\$ 6,585,120	\$ 6,560,224	\$ 5,732,783	\$ 5,275,241
Licenses and permits	432,302	439,697	530,353	467,288	434,140	381,895
Intergovernmental revenue	861,015	927,970	907,953	891,315	846,444	840,421
Charges for services	1,064,379	1,063,965	1,038,489	1,054,955	848,611	801,209
Lease payments and other fees	807,073	575,059	528,342	481,209	462,374	371,356
Cemetery fees	175,283	108,330	125,226	141,116	133,436	113,983
Fines and forfeitures	790,189	764,339	658,956	325,216	289,919	265,844
Other revenues	341,478	287,813	409,438	312,320	422,536	468,547
Total revenues	<u>12,491,789</u>	<u>11,246,630</u>	<u>10,783,877</u>	<u>10,233,643</u>	<u>9,170,243</u>	<u>8,518,496</u>
Expenditures						
General government	2,171,525	2,212,773	2,049,296	1,712,276	1,268,281	1,157,071
Public safety	3,440,339	3,187,690	3,005,008	2,824,613	2,583,504	2,432,797
Public improvements	1,447,279	1,586,448	1,616,384	1,445,077	1,565,180	1,447,058
Sanitation	713,789	700,116	672,132	640,932	606,674	558,263
Parks and recreation	915,854	893,044	905,912	858,645	824,127	787,728
Library department	473,492	465,717	437,333	381,747	381,740	348,289
Cemetery department	388,139	374,315	362,025	314,027	280,288	279,054
Planning commission	208,211	117,017	93,655	108,633	91,329	86,097
Literacy center	75,885	71,342	51,995	29,608	28,733	
Miscellaneous	39,582	59,629	74,699	110,918	100,405	95,009
Total expenditures	<u>9,874,095</u>	<u>9,668,091</u>	<u>9,268,439</u>	<u>8,426,476</u>	<u>7,730,261</u>	<u>7,191,366</u>
Excess of revenues over expenditures	<u>2,617,694</u>	<u>1,578,539</u>	<u>1,515,438</u>	<u>1,807,167</u>	<u>1,439,982</u>	<u>1,327,130</u>
Other financing sources (uses)						
Contingent liability reversal						300,000
Net operating transfers in (out)	(1,856,428)	(1,814,300)	(1,649,800)	(1,734,664)	(1,304,017)	(1,484,300)
Total other financing sources (uses)	<u>(1,856,428)</u>	<u>(1,814,300)</u>	<u>(1,649,800)</u>	<u>(1,734,664)</u>	<u>(1,304,017)</u>	<u>(1,184,300)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>761,266</u>	<u>(235,761)</u>	<u>(134,362)</u>	<u>72,503</u>	<u>135,965</u>	<u>142,830</u>
Fund balance at beginning of year	<u>812,861</u>	<u>1,048,622</u>	<u>1,182,984</u>	<u>1,110,481</u>	<u>974,516</u>	<u>831,686</u>
Fund balance at end of year	<u>\$ 1,574,127</u>	<u>\$ 812,861</u>	<u>\$ 1,048,622</u>	<u>\$ 1,182,984</u>	<u>\$ 1,110,481</u>	<u>\$ 974,516</u>

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources that are set aside for expenditure for specified purposes.

**AMERICAN FORK CITY
SPECIAL REVENUE FUNDS
Combining Balance Sheet**
June 30, 2005
With Comparative Totals for June 30, 2004

	American Fork Arts Council	Redevelopment Agency Fund	Downtown Redevelopment Fund
ASSETS			
Cash, checking	\$ 19,720		
Cash, State Treasurer's Pool		\$ 1,582,995	\$ 31,342
Notes receivable			47,781
Prepaid expenses	80		
Inventory			
	<u>\$ 19,800</u>	<u>\$ 1,582,995</u>	<u>\$ 79,123</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Checks outstanding in excess of deposits		\$ 150,838	\$ 2,814
Accounts payable			
Accrued salaries and benefits payable			
Due to other funds		122,000	
Total liabilities		<u>272,838</u>	<u>2,814</u>
Fund balance			
Unreserved	\$ 19,800	1,310,157	76,309
Total fund balance	<u>19,800</u>	<u>1,310,157</u>	<u>76,309</u>
Total liabilities and fund balance	<u>\$ 19,800</u>	<u>\$ 1,582,995</u>	<u>\$ 79,123</u>

Celebration Committee Fund	Fitness Center Fund	Totals	
		2005	2004
\$ 40,118	\$ 16,872	\$ 76,710	\$ 53,449
	90,110	1,704,447	958,435
		47,781	13,623
		80	
7,269	3,434	10,703	9,640
<u>\$ 47,387</u>	<u>\$ 110,416</u>	<u>\$ 1,839,721</u>	<u>\$ 1,035,147</u>
\$ 5,137	\$ 12,320	\$ 153,652	\$ 76,244
	37,722	17,457	16,524
		37,722	32,818
		122,000	122,000
<u>5,137</u>	<u>50,042</u>	<u>330,831</u>	<u>247,586</u>
42,250	60,374	1,508,890	787,561
<u>42,250</u>	<u>60,374</u>	<u>1,508,890</u>	<u>787,561</u>
<u>\$ 47,387</u>	<u>\$ 110,416</u>	<u>\$ 1,839,721</u>	<u>\$ 1,035,147</u>

AMERICAN FORK CITY
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	American Fork Arts Council	Redevelopment Agency Fund	Downtown Redevelopment Fund
Revenues			
Property taxes		\$ 818,730	
Grant			
Ticket sales and concessions	\$ 77,568		
General admissions			
Other income			
Interest income		30,412	\$ 1,482
Total revenue	<u>77,568</u>	<u>849,142</u>	<u>1,482</u>
Expenditures			
Supplies			
Production costs	73,260		
Salaries, wages, and employee benefits	7,770		
Utilities			
Other	7,605	99,503	522
Total expenditures	<u>88,635</u>	<u>99,503</u>	<u>522</u>
Excess (deficiency) of revenues over expenditures	<u>(11,067)</u>	<u>749,639</u>	<u>960</u>
Other financing sources (uses)			
Operating transfers in	25,000		
Operating transfers out		(50,000)	
Total other financing sources (uses)	<u>25,000</u>	<u>(50,000)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	13,933	699,639	960
Fund balance beginning of year	<u>5,867</u>	<u>610,518</u>	<u>75,349</u>
Fund balance at end of year	<u>\$ 19,800</u>	<u>\$ 1,310,157</u>	<u>\$ 76,309</u>

Celebration Committee Fund	Fitness Center Fund	Totals	
		2005	2004
		\$ 818,730	\$ 664,957
			7,415
\$ 74,470		152,038	175,844
	\$ 541,563	541,563	519,059
	214,272	214,272	154,545
	2,163	34,057	8,798
<u>74,470</u>	<u>757,998</u>	<u>1,760,660</u>	<u>1,530,618</u>
	185,494	185,494	117,043
92,123		165,383	310,859
	648,843	656,613	653,211
	138,061	138,061	102,825
	66,150	173,780	276,784
<u>92,123</u>	<u>1,038,548</u>	<u>1,319,331</u>	<u>1,460,722</u>
<u>(17,653)</u>	<u>(280,550)</u>	<u>441,329</u>	<u>69,896</u>
25,000	280,000	330,000	427,000
		(50,000)	(116,305)
<u>25,000</u>	<u>280,000</u>	<u>280,000</u>	<u>310,695</u>
7,347	(550)	721,329	380,591
34,903	60,924	787,561	406,970
<u>\$ 42,250</u>	<u>\$ 60,374</u>	<u>\$ 1,508,890</u>	<u>\$ 787,561</u>

AMERICAN FORK CITY
AMERICAN FORK ARTS COUNCIL FUND
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005			2004
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Ticket sales and concessions	\$ 96,400	\$ 77,568	\$ (18,832)	\$ 75,263
Expenditures				
Production costs	112,500	73,260	39,240	89,776
Salaries, wages, and employee benefits	8,900	7,770	1,130	17,520
Other		7,605	(7,605)	2,390
Total expenditures	121,400	88,635	32,765	109,686
Excess (deficiency) of revenues over expenditures	(25,000)	(11,067)	13,933	(34,423)
Other financing sources				
Operating transfers in	25,000	25,000		27,000
Total other financing sources	25,000	25,000		27,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses		13,933	\$ 13,933	(7,423)
Fund balance, beginning of year	5,867	5,867		13,290
Fund balance, end of year	\$ 5,867	\$ 19,800		\$ 5,867

AMERICAN FORK CITY
REDEVELOPMENT AGENCY FUND
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005			2004
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Property taxes	\$ 665,000	\$ 818,730	\$ 153,730	\$ 664,957
Interest income	5,000	30,412	25,412	5,154
Total revenues	670,000	849,142	179,142	670,111
Expenditures				
Public improvements	80,100	99,503	(19,403)	161,750
Excess (deficiency) of revenues over expenditures	589,900	749,639	159,739	508,361
Other financing sources (uses)				
Operating transfers out	(50,000)	(50,000)		(108,890)
Total other financing sources (uses)	(50,000)	(50,000)		(108,890)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	539,900	699,639	\$ 159,739	399,471
Fund balance, beginning of year	610,518	610,518		211,047
Fund balance, end of year	\$ 1,150,418	\$ 1,310,157		\$ 610,518

AMERICAN FORK CITY
DOWNTOWN REDEVELOPMENT
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005			2004
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Grant	\$ 16,000		\$ (16,000)	\$ 7,415
Other income	5,200		(5,200)	
Interest income	1,000	960	(40)	1,305
Total revenues	<u>22,200</u>	<u>960</u>	<u>(21,240)</u>	<u>8,720</u>
Other financing uses				
Operating transfers out	<u>55,000</u>		<u>(55,000)</u>	<u>(7,415)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	77,200	960	<u>\$ (76,240)</u>	1,305
Fund balance, beginning of year	<u>75,349</u>	<u>75,349</u>		<u>74,044</u>
Fund balance, end of year	<u>\$ 152,549</u>	<u>\$ 76,309</u>		<u>\$ 75,349</u>

**AMERICAN FORK CITY
CELEBRATION COMMITTEE**
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	<u>2005</u>			<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues				
Ticket sales and concessions	\$ 136,500	\$ 74,470	\$ (62,030)	\$ 100,581
Expenditures				
Production costs	<u>198,500</u>	<u>92,123</u>	<u>106,377</u>	<u>221,083</u>
Excess (deficiency) of revenues over expenditures	(62,000)	(17,653)	44,347	(120,502)
Other financing sources				
Operating transfers in	<u>62,000</u>	<u>25,000</u>		<u>125,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses		7,347	<u>\$ 44,347</u>	4,498
Fund balance, beginning of year	<u>34,903</u>	<u>34,903</u>		<u>30,405</u>
Fund balance, end of year	<u>\$ 34,903</u>	<u>\$ 42,250</u>		<u>\$ 34,903</u>

**AMERICAN FORK CITY
FITNESS CENTER FUND**
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005			2004
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
General admissions	\$ 535,600	\$ 541,563	\$ 5,963	\$ 519,059
Other income	152,100	214,272	62,172	154,545
Interest income	1,500	2,163	663	2,339
Total revenues	<u>689,200</u>	<u>757,998</u>	<u>68,798</u>	<u>675,943</u>
Expenditures				
Supplies	191,500	185,494	6,006	117,043
Salaries, wages, and employee benefits	646,200	648,843	(2,643)	635,691
Utilities	138,000	138,061	(61)	102,825
Other	81,400	66,150	15,250	112,644
Total expenditures	<u>1,057,100</u>	<u>1,038,548</u>	<u>18,552</u>	<u>968,203</u>
Excess (deficiency) of revenues over expenditures	(367,900)	(280,550)	87,350	(292,260)
Other financing sources				
Operating transfers in	<u>340,000</u>	<u>280,000</u>		<u>275,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(27,900)	(550)	<u>\$ 87,350</u>	(17,260)
Fund balance, beginning of year	<u>60,924</u>	<u>60,924</u>		<u>78,184</u>
Fund balance, end of year	<u>\$ 33,024</u>	<u>\$ 60,374</u>		<u>\$ 60,924</u>

DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

AMERICAN FORK CITY
DEBT SERVICE FUND
Balance Sheet
June 30, 2005
With Comparative Totals for June 30, 2004

ASSETS	<u>2005</u>	<u>2004</u>
Cash, checking	\$ 115,349	\$ 28,430
Cash, State Treasurer's Pool	86,665	84,585
Cash in excess of bond requirements	383,665	261,340
Restricted cash		
Bond escrow	475	1
Guaranty fund		
Reserve fund	182,400	182,400
Bond fund	<u>157,569</u>	<u>244,846</u>
Total assets	<u><u>\$ 926,123</u></u>	<u><u>\$ 801,602</u></u>
 LIABILITIES AND FUND BALANCE		
Fund balance		
Reserved	\$ 339,969	\$ 427,246
Unreserved	<u>586,154</u>	<u>374,356</u>
Total fund balance	<u>926,123</u>	<u>801,602</u>
Total liabilities and fund balance	<u><u>\$ 926,123</u></u>	<u><u>\$ 801,602</u></u>

AMERICAN FORK CITY
DEBT SERVICE FUND
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005			2004
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Interest income	\$ 10,000	\$ 14,565	\$ 4,565	\$ 8,637
Total revenues	10,000	14,565	4,565	8,637
Expenditures				
Bond principal	1,657,000	1,480,000	177,000	1,234,300
Bond interest and fees	1,121,300	982,044	139,256	1,065,618
Total expenditures	2,778,300	2,462,044	316,256	2,299,918
Deficiency of revenues over expenditures	(2,768,300)	(2,447,479)	320,821	(2,291,281)
Other financing sources (uses)				
Proceeds of refunding bonds		11,435,723		
Payment to bond refunding escrow		(11,435,723)		
Operating transfers in	2,778,300	2,572,000	(206,300)	2,319,400
Total other financing sources (uses)	2,778,300	2,572,000	(206,300)	2,319,400
Excess of revenues and other financing sources over expenditures	10,000	124,521	\$ 114,521	28,119
Fund balance at beginning of year	801,602	801,602		773,483
Fund balance at end of year	\$ 811,602	\$ 926,123		\$ 801,602

CAPITAL PROJECTS FUND

The capital projects fund is used to account for the financial resources to be used for the acquisition or construction of capital assets.

**AMERICAN FORK CITY
CAPITAL PROJECTS FUND
Balance Sheet**

June 30, 2005
With Comparative Totals for June 30, 2004

ASSETS	<u>2005</u>	<u>2004</u>
Cash, checking	\$ (221,325)	\$ 38,948
Cash, savings	1,917,319	1,279,271
Restricted cash		
Construction fund	754,764	2,012,909
Ambulance	3,346	1,133,366
Park fees	296,777	289,652
Public works	5,786,795	
	<u>5,786,795</u>	<u>3,441,927</u>
Total assets	<u>\$ 8,537,676</u>	<u>\$ 4,754,146</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 206,181	\$ 921,796
Developer reimbursement payable	1,128,366	
Due to other funds	187,000	375,000
Total liabilities	<u>1,521,547</u>	<u>1,296,796</u>
Fund balance, reserved	<u>7,016,129</u>	<u>3,457,350</u>
Total liabilities and fund balance	<u>\$ 8,537,676</u>	<u>\$ 4,754,146</u>

**AMERICAN FORK CITY
CAPITAL PROJECTS FUND
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004**

	Budget	2005	Variance Favorable (Unfavorable)	2004
Revenues				
Interest income	\$ 44,300	\$ 110,785	\$ 66,485	\$ 95,928
Other income	748,400	367,470	(380,930)	391,695
Total revenues	<u>792,700</u>	<u>478,255</u>	<u>(314,445)</u>	<u>487,623</u>
Expenditures				
Administration	30,000	31,695	(1,695)	19,108
Special improvement districts	735,000	1,474,386	(739,386)	622,253
Public safety	239,000	171,010	67,990	243,367
Public safety building construction	550,000	388,993	161,007	2,167,260
Public works	120,000	100,200	19,800	57,819
Cemetery	97,000	15,112	81,888	32,343
Boat harbor	85,500	22,052		
City hall	21,500	22,234		
Amphitheater	50,700	33,842		
Park expansion	2,279,100	1,553,517	725,583	1,546,029
Debt service				
Principal	4,932,200	3,963,708		
Interest		498,998		
Other projects and equipment acquisitions	658,500	323,182	335,318	114,575
Total expenditures	<u>9,798,500</u>	<u>8,598,929</u>	<u>650,505</u>	<u>4,802,754</u>
Deficiency of revenues over expenditures	<u>(9,005,800)</u>	<u>(8,120,674)</u>	<u>336,060</u>	<u>(4,315,131)</u>
Other financing sources (uses)				
Proceeds from debt	11,684,100	11,609,024	(75,076)	1,321,038
Operating transfers out	(1,110,700)	(678,382)	432,318	(106,000)
Operating transfers in	1,085,500	748,811	(336,689)	2,218,300
Total other financing sources (uses)	<u>11,658,900</u>	<u>11,679,453</u>	<u>20,553</u>	<u>3,433,338</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2,653,100	3,558,779	\$ 905,679	(881,793)
Fund balance at beginning of year	<u>3,457,350</u>	<u>3,457,350</u>		<u>4,339,143</u>
Fund balance at end of year	<u>\$ 6,110,450</u>	<u>\$ 7,016,129</u>		<u>\$ 3,457,350</u>

PERMANENT FUND

The permanent fund is used to account for the resources that are restricted for cemetery care. The principal can only be used for cemetery care, but the earnings of the fund can be used to support other government programs.

AMERICAN FORK CITY
PERMANENT FUND - CEMETERY CARE
Balance Sheet
 June 30, 2005
 With Comparative Totals for June 30, 2004

ASSETS			
		<u>2005</u>	<u>2004</u>
Due from other funds	\$	18,253	\$ 6,186
Restricted cash and cash equivalents		<u>407,442</u>	<u>397,566</u>
Total assets	\$	<u><u>425,695</u></u>	<u><u>403,752</u></u>
FUND BALANCE			
Fund balance, restricted	\$	<u><u>425,695</u></u>	<u><u>403,752</u></u>

AMERICAN FORK CITY
 PERMANENT FUND - CEMETERY CARE
 Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget and Actual
 For the Year Ended June 30, 2005
 With Comparative Totals for the Year Ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)	2004
Revenues				
Cemetery care	\$ 12,000	\$ 21,943	\$ 9,943	\$ 14,482
Interest income	6,000	9,876	3,876	5,964
Total revenues	<u>18,000</u>	<u>31,819</u>	<u>13,819</u>	<u>20,446</u>
Other financing sources (uses)				
Operating transfers out	<u>(6,000)</u>	<u>(9,876)</u>	<u>(3,876)</u>	<u>(5,964)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	12,000	21,943	<u>\$ 9,943</u>	14,482
Fund balance, beginning of year	<u>403,752</u>	<u>403,752</u>		<u>389,270</u>
Fund balance, end of year	<u>\$ 415,752</u>	<u>\$ 425,695</u>		<u>\$ 403,752</u>

PROPRIETARY FUNDS

The proprietary funds are used to account for the business like activities of the City.

AMERICAN FORK CITY
ALL PROPRIETARY FUND TYPES
Combining Statement of Net Assets
June 30, 2005
With Comparative Totals for June 30, 2004

	Sewer and Water Fund	Building Lease Fund	Broadband Fund	Totals	
				2005	2004
ASSETS					
Current assets					
Cash, checking	\$ 1,988,721	\$ 29,235	72,256	\$ 2,090,212	\$ 968,268
Cash, State Treasurer's Pool	1,496,643	32		1,496,675	1,460,747
Accounts receivable, net of allowance	683,935		27,869	711,804	572,716
Note receivable, current portion	2,743			2,743	2,533
Due from other funds	309,000			309,000	497,000
Total current assets	4,481,042	29,267	100,125	4,610,434	3,501,264
Property and equipment, at cost					
Land	13,479			13,479	13,479
Buildings and improvements	1,061,339			1,061,339	1,065,562
Improvements other than buildings	39,220,302			39,220,302	34,318,479
Machinery and equipment	552,888		2,848,416	3,401,304	2,688,011
Less: accumulated depreciation	(13,239,596)		(326,680)	(13,566,276)	(12,371,261)
Total property and equipment	27,608,412		2,521,736	30,130,148	25,714,270
Water stock	10,720,567			10,720,567	10,178,032
Noncurrent assets					
Note receivable, non-current portion	486,516			486,516	487,893
Restricted cash					
Bond fund	67		1,443,073	1,443,140	3,041,195
Connection fees	371,465			371,465	362,548
Deposits					1,050
Total noncurrent assets	858,048		1,443,073	1,814,605	3,404,793
Total assets	\$ 43,668,069	\$ 29,267	\$ 4,064,934	\$ 47,762,270	\$ 43,286,252

AMERICAN FORK CITY
ALL PROPRIETARY FUND TYPES
Combining Statement of Net Assets
June 30, 2005
With Comparative Totals for June 30, 2004

	Sewer and Water Fund	Building Lease Fund	Broadband Fund	Totals	
				2005	2004
LIABILITIES AND FUND EQUITY					
Current liabilities					
Outstanding checks in excess of deposits					\$ 33,804
Accounts payable and accrued expenses	\$ 700,455		56,514	\$ 756,969	434,166
Accrued compensated absences	36,089		18,691	54,780	32,797
Accrued salaries and benefits payable	14,674		18,567	33,241	23,263
Interest payable			87,314	87,314	89,794
Long-term liabilities, current portion			796,779	796,779	312,083
Total current liabilities	<u>751,218</u>		<u>977,865</u>	<u>1,729,083</u>	<u>925,907</u>
Long-term liabilities					
Customer deposits	132,841			132,841	122,346
Capital lease			5,694	5,694	6,771
Bonds payable					
1991 Water Bonds	464,000			464,000	634,000
2003 Sales Tax Bond			5,365,000	5,365,000	5,675,000
Less current portion of long-term debt			(796,779)	(796,779)	(312,083)
Total long-term liabilities	<u>596,841</u>		<u>4,573,915</u>	<u>5,170,756</u>	<u>6,126,034</u>
Total liabilities	<u>1,348,059</u>		<u>5,551,780</u>	<u>6,899,839</u>	<u>7,051,941</u>
Net assets					
Invested in capital assets, net of related debt	27,144,412			27,144,412	23,088,803
Restricted					
Debt service					
Capital assets	371,532		1,443,073	1,814,605	3,403,743
Unrestricted	14,804,066	\$ 29,267	(2,929,919)	11,903,414	9,741,765
Total net assets	<u>42,320,010</u>	<u>29,267</u>	<u>(1,486,846)</u>	<u>40,862,431</u>	<u>36,234,311</u>
Total liabilities and fund equity	<u>\$ 43,668,069</u>	<u>\$ 29,267</u>	<u>\$ 4,064,934</u>	<u>\$ 47,762,270</u>	<u>\$ 43,286,252</u>

AMERICAN FORK CITY
PROPRIETARY FUNDS
Combining Statement of Revenues, Expenses
And Changes in Net Assets
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	Sewer and Water Fund	Building Lease Fund	Broadband Fund	Totals	
				2005	2004
Operating revenues					
Water charges and fees	\$ 2,421,367			\$ 2,421,367	\$ 2,114,222
Sewer charges and fees	2,603,722			2,603,722	2,215,000
Lease income					4,027
Internet and connection fees			\$ 375,244	375,244	130,866
Maintenance and utility reimbursements					2,201
Other income	6,202		1,360	7,562	15,910
Total operating revenues	<u>5,031,291</u>		<u>376,604</u>	<u>5,407,895</u>	<u>4,482,226</u>
Operating expenses					
Salaries, wages, and employee benefits	562,969		483,047	1,046,016	825,934
Supplies and maintenance	330,130		106,535	436,665	480,736
Utilities and telephone	214,861		17,517	232,378	255,079
Professional and technical	42,026			42,026	84,330
Timpanogos Special Service District	1,575,180			1,575,180	1,478,402
Water assessment fees	36,568			36,568	38,133
Depreciation and amortization	1,022,614		172,401	1,195,015	1,070,666
Other	17,354		35,497	52,851	9,371
Total operating expenses	<u>3,801,702</u>		<u>814,997</u>	<u>4,616,699</u>	<u>4,242,651</u>
Operating income (loss)	<u>1,229,589</u>		<u>(438,393)</u>	<u>791,196</u>	<u>239,575</u>
Non-operating income (expense)					
Interest income	61,150	\$ 1	56,129	117,280	123,929
Gain on sale of surplus equipment					1,412,366
Bond interest expense	(14,962)		(267,811)	(282,773)	(284,894)
Total non-operating income (expense)	<u>46,188</u>	<u>1</u>	<u>(211,682)</u>	<u>(165,493)</u>	<u>1,251,401</u>
Income (loss) before capital contributions and transfers	<u>1,275,777</u>	<u>1</u>	<u>(650,075)</u>	<u>625,703</u>	<u>1,490,976</u>
Capital contributions	<u>5,068,417</u>			<u>5,068,417</u>	<u>3,065,133</u>
Operating transfers					
Transfers in					25,489
Transfers out	(1,066,000)			(1,066,000)	(2,961,000)
Net operating transfers	<u>(1,066,000)</u>			<u>(1,066,000)</u>	<u>(2,935,511)</u>
Net income (loss)	<u>5,278,194</u>	<u>1</u>	<u>(650,075)</u>	<u>4,628,120</u>	<u>1,620,598</u>
Net assets at beginning of year	<u>37,041,816</u>	<u>29,266</u>	<u>(836,771)</u>	<u>36,234,311</u>	<u>34,613,713</u>
Net assets at end of year	<u>\$ 42,320,010</u>	<u>\$ 29,267</u>	<u>\$ (1,486,846)</u>	<u>\$ 40,862,431</u>	<u>\$ 36,234,311</u>

AMERICAN FORK CITY
PROPRIETARY FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2005
With Comparative Totals For the Year Ended June 30, 2004

	Sewer and Water Fund	Building Lease Fund	Broadband Fund	Totals	
				2005	2004
Cash flows from operating activities					
Cash received from					
Customers	\$ 4,930,567		\$ 348,735	\$ 5,279,302	\$ 3,873,989
Lease income					159,787
Cash paid to/for					
Employees	(557,116)		(456,939)	(1,014,055)	(817,521)
Suppliers	(1,895,933)		(155,882)	(2,051,815)	(2,295,487)
Net cash provided by (used for) operating activities	2,477,518		(264,086)	2,213,432	920,768
Cash flows from noncapital financing activities					
Cash paid to other funds	(878,000)			(878,000)	(2,243,511)
Net cash provided by (used for) noncapital financing activities	(878,000)			(878,000)	(2,243,511)
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(382,341)		(702,670)	(1,085,011)	(1,245,077)
Proceeds from sale of capital assets					2,672,071
Capital contributions					521,247
Principal payments on debt	(170,000)		(311,077)	(481,077)	(1,434,221)
Interest paid on debt	(14,962)		(270,291)	(285,253)	(290,626)
Net cash used for capital and related financing activities	(567,303)		(1,284,038)	(1,851,341)	223,394
Cash flow from investing activities					
Interest income	61,150	\$ 1	56,129	117,280	123,929
Cash collected on note receivable	1,167				
Net cash provided by investing activities	62,317	1	56,129	117,280	123,929
Net increase (decrease) in cash	1,094,532	1	(1,491,995)	(398,629)	(975,420)
Cash balance (net of outstanding checks in excess of deposits) at beginning of year	2,762,364	29,266	3,007,324	5,798,954	6,774,374
Cash balance (net of outstanding checks in excess of deposits) at end of year	\$ 3,856,896	\$ 29,267	\$ 1,515,329	\$ 5,400,325	\$ 5,798,954
Non-cash investing, capital and financing activities					
Contribution from contractors, water rights, \$542,535.					
Contribution from contractors, water and sewer improvements, \$810,095.					
Reconciliation to operating income					
Operating income (loss)	\$ 1,229,589		\$ (438,393)	\$ 791,196	\$ 239,575
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	1,022,614		172,401	1,195,015	1,070,666
(Increase) decrease in accounts receivable	(111,219)			(111,219)	(462,208)
(Increase) decrease in deposits	1,050				
Increase (decrease) in accounts payable	319,136		3,667	322,803	50,564
Increase (decrease) in accrued salaries and benefits payable	(114)		10,092	9,978	5,778
Increase (decrease) in accrued compensated absences	5,967		16,016	21,983	2,634
Increase (decrease) in customer deposits	10,495		10,495	10,495	13,759
Net cash provided by (used for) operating activities	\$ 2,477,518		\$ (236,217)	\$ 2,241,301	\$ 920,768
Reconciliation of total cash and cash investments:					
Cash and cash equivalents (net of outstanding checks in excess of deposits)	\$ 3,485,364	\$ 29,267	\$ 72,256	\$ 3,586,887	\$ 2,395,211
Restricted cash and cash equivalents	371,532		1,443,073	1,814,605	3,403,743
Total cash and cash investments	\$ 3,856,896	\$ 29,267	\$ 1,515,329	\$ 5,401,492	\$ 5,798,954

AMERICAN FORK CITY
SEWER AND WATER FUND
Statement of Revenues, Expenses and Changes
In Net Assets - Budget and Actual
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005		Variance	
	Budget	Actual	Favorable (Unfavorable)	2004
Operating revenues				
Water charges	\$ 2,552,600	\$ 2,421,367	\$ (131,233)	\$ 2,114,222
Sewer charges	2,594,500	2,603,722	9,222	2,215,000
Other income	96,500	6,202	(90,298)	12,310
Total operating revenues	5,243,600	5,031,291	(212,309)	4,341,532
Operating expenses				
Salaries, wages and employee benefits	618,600	562,969	55,631	558,243
Supplies and maintenance	2,456,800	330,130	2,126,670	294,629
Utilities and telephone	322,000	214,861	107,139	233,409
Professional and technical	77,000	42,026	34,974	84,330
Timpanogos Special Service District	1,350,000	1,575,180	(225,180)	1,478,402
Water assessment fees	38,000	36,568	1,432	38,133
Depreciation		1,022,614	(1,022,614)	934,692
Other	6,200	17,354	(11,154)	5,925
Total operating expenses	4,868,600	3,801,702	1,066,898	3,627,763
Operating income	375,000	1,229,589	854,589	713,769
Non-operating income (expense)				
Interest income	36,000	61,150	25,150	57,149
Bond interest expense	(106,800)	(14,962)	91,838	(20,199)
Bond principal payments	(139,000)		139,000	
Total non-operating income (expense)	(209,800)	46,188	255,988	36,950
Income before capital contributions and operating transfers	165,200	1,275,777	1,110,577	750,719
Capital contributions		5,068,417	5,068,417	3,065,133
Operating transfers				
Operating transfers in	235,000		(235,000)	25,489
Operating transfers out	(1,056,000)	(1,066,000)	(10,000)	(936,000)
Net operating transfers	(821,000)	(1,066,000)	(245,000)	(910,511)
Net income	(655,800)	5,278,194	\$ 5,933,994	2,905,341
Net assets at beginning of year, as restated	37,041,816	37,041,816		34,136,475
Net assets at end of year	\$ 36,386,016	\$ 42,320,010		\$ 37,041,816

BUDGET NUMBERS ARE REPORTED ON CASH BASIS.

**AMERICAN FORK CITY
BUILDING LEASE FUND
Statement of Revenues, Expenses and Changes
In Net Assets - Budget and Actual
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004**

	2005		2004
	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Lease income			\$ 4,027
Maintenance and utility reimbursements			2,201
Total operating revenues			6,228
Operating expenses			
Supplies and maintenance			718
Utilities and telephone			11,787
Professional and technical			
Depreciation			8,831
Total operating expenses			21,336
Operating income			(15,108)
Non-operating income (expense)			
Interest income		1	1 1,846
Bond principal payments			1,412,366
Sale of Surplus property			
Bond interest expense			
Total non-operating income (expense)		1	1 1,414,212
Income before operating transfers		1	1 1,399,104
Operating transfers out			(2,025,000)
Net income (loss)		1	\$ 1 (625,896)
Net assets at beginning of year		29,266	655,162
Net assets at end of year		\$ 29,267	\$ 29,266

BUDGET NUMBERS ARE REPORTED ON CASH BASIS.

AMERICAN FORK CITY
BROADBAND FUND
Statement of Revenues, Expenses and Changes
In Net Assets - Budget and Actual
For the Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005		Variance	
	Budget	Actual	Favorable (Unfavorable)	2004
Operating revenues				
Internet fees	\$ 436,000	\$ 370,499	\$ (65,501)	\$ 86,252
Connection fees	40,000	4,745	(35,255)	44,614
Other income	5,000	1,360	(3,640)	3,600
Total operating revenues	<u>481,000</u>	<u>376,604</u>	<u>(104,396)</u>	<u>134,466</u>
Operating expenses				
Salaries, wages and employee benefits	470,900	483,047	(12,147)	267,691
Materials and supplies	138,100	66,350	71,750	162,643
Utilities	19,000	17,517	1,483	9,883
Equipment purchases	837,000	40,185	796,815	22,746
Other	22,200	35,497	(13,297)	3,446
Depreciation	78,000	172,401	(94,401)	127,143
Total operating expenses	<u>1,565,200</u>	<u>814,997</u>	<u>750,203</u>	<u>593,552</u>
Operating income (loss)	<u>(1,084,200)</u>	<u>(438,393)</u>	<u>645,807</u>	<u>(459,086)</u>
Non-operating income (expense)				
Interest income	60,000	56,129	(3,871)	64,934
Bond principal payments	(310,000)		(310,000)	
Bond interest expense	(269,500)	(267,811)	1,689	(264,695)
Total non-operating income (expense)	<u>(519,500)</u>	<u>(211,682)</u>	<u>(312,182)</u>	<u>(199,761)</u>
Net income (loss)	<u>(1,603,700)</u>	<u>(650,075)</u>	<u>\$ 953,625</u>	<u>(658,847)</u>
Net assets at beginning of year	<u>(836,771)</u>	<u>(836,771)</u>		<u>(177,924)</u>
Net assets at end of year	<u>\$ (2,440,471)</u>	<u>\$ (1,486,846)</u>		<u>\$ (836,771)</u>

BUDGET NUMBERS ARE REPORTED ON CASH BASIS.

ADDITIONAL SCHEDULES

These schedules are included to provide additional information for analysis.

AMERICAN FORK CITY
General Fund Property Tax Levies and Collections

<u>Year End 12/31</u>	<u>Total Taxes Assessed</u>	<u>Current Collections</u>	<u>Delinquent Collections</u>	<u>Total Collected</u>	<u>Percentage of Current Collections to Total Taxes Assessed</u>	<u>Percentage of Total Collections to Total Taxes Assessed</u>
2004	\$ 2,044,935	\$ 1,899,077	\$ 123,663	\$ 2,022,740	92.9%	98.9%
2003	1,980,106	1,838,706	167,435	2,006,141	92.9%	101.3%
2002	1,875,014	1,645,261	168,903	1,814,164	87.7%	96.8%
2001	1,579,871	1,421,326	133,070	1,554,396	90.0%	98.4%
2000	1,532,992	1,386,417	118,486	1,504,903	90.4%	98.2%
1999	1,406,330	1,280,964	76,587	1,357,551	91.1%	96.5%
1998	1,314,776	1,216,895	53,855	1,270,750	92.6%	96.7%
1997	1,220,141	1,127,891	39,714	1,167,605	92.4%	95.7%
1996	1,114,771	1,064,158	41,840	1,105,998	95.5%	99.2%
1995	1,027,826	996,756	35,611	1,032,367	97.0%	100.4%
1994	1,003,865	952,345	31,294	983,639	94.9%	98.0%
1993	872,677	838,620	28,591	867,211	96.1%	99.4%
1992	847,042	806,533	29,688	836,221	95.2%	98.7%
1991	769,240	730,086	28,230	758,316	94.9%	98.6%
1990	729,987	683,291	41,832	725,123	93.6%	99.3%
1989	729,944	681,276	46,172	727,448	93.3%	99.7%
1988	728,819	650,374	37,328	687,702	89.2%	94.4%
1987	738,066	657,797	49,324	707,121	89.1%	95.8%
1986	711,782	633,373	42,597	675,970	89.0%	95.0%
1985	689,701	614,114	53,239	667,353	89.0%	96.8%
1984	586,759	524,010	32,159	556,169	89.3%	94.8%
1983	580,314	519,177	27,607	546,784	89.5%	94.2%

AMERICAN FORK CITY
Schedule of Insurance in Force
June 30, 2005

<u>Description</u>	<u>Company</u>	<u>Policy Number</u>	<u>Liability Limit</u>	<u>Effective Date</u>
Auto liability	St. Paul Insurance Company	GP09312646	\$1,000,000	7/1/2005
General liability	St. Paul Insurance Company	GP09312646	\$1,000,000/\$3,000,000	7/1/2005
Property	St. Paul Insurance Company	GP09312646	\$29,252,825	7/1/2005
Computer Property	St. Paul Insurance Company	GP09312646	\$1,680,000	7/1/2005
Contractor's Equipment	St. Paul Insurance Company	GP09312646	\$6,438,360	7/1/2005
DIC Earthquake and Flood	St. Paul Insurance Company	GP09312646	\$5,000,000	7/1/2005
Crime	St. Paul Insurance Company	GP09312646	\$50,000	7/1/2005
Employment Practices	St. Paul Insurance Company	GP09312646	\$5,000,000	7/1/2005
Public officials E & O	St. Paul Insurance Company	GP09312646	\$1,000,000/\$3,000,000	7/1/2005
Law enforcement	St. Paul Insurance Company	GP09312646	\$1,000,000/\$3,000,000	7/1/2005



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor
and Members of the City Council
American Fork City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of American Fork City, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered American Fork City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying management letter.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Fork City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Mayor and City Council, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

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November 15, 2005

ADDITIONAL AUDITORS' REPORTS

These additional reports are required by *Government Auditing Standards* and the Utah State Auditor's Office, respectively.



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UTAH STATE COMPLIANCE REPORT BASED ON THE REQUIREMENTS, SPECIAL TESTS, AND PROVISIONS REQUIRED BY THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE

To the Honorable Mayor
and Members of the City Council
American Fork City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of American Fork City, for the year ended June 30, 2005, and have issued our report thereon dated November 15, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

Class "C" Road (Department of Transportation)
Liquor Law Enforcement Funds (Utah State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City of Example's financial statements.)

Public Library Development Grant (Department of Community & Economic Development)
EMS Grant (Department of Health)
Historical Grant (State Historical Society)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance

Truth in Taxation and Property Tax Limitations
Other General Compliance Issues
Uniform Building Code Standards
Impact Fees
Asset Forfeiture

The management of the American Fork City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, American Fork City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

This report is intended for the information of the Mayor and City Council, management, and the Utah State Auditor's office and is not intended to be and should not be used by anyone other than these specified parties.

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The Honorable Mayor
and City Council
American Fork City

We have audited the basic financial statements of American Fork City for the year ended June 30, 2005 and have issued our report thereon dated November 15, 2005. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter dated September 16, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and application. The significant accounting policies used by the City are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2005. We noted no transactions entered into by the City, during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are

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particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of useful lives of depreciable assets, and the applicable depreciation amounts are based on estimated usefulness of the assets in question and the related wear and tear on those assets. We evaluated the key factors and assumptions used to develop these amounts in determining that they were reasonable in relation to the financial statements taken as a whole.

SIGNIFICANT AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the City that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

We made several closing and reclassifying entries to the City's books. These entries included the annual closing entries, capitalizing enterprise fund assets, and entries to correct balances. We have enclosed a copy of the journal entries and the waived journal entries.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of the audit.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those financial statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

ISSUES DISCUSSED PRIOR TO RETENTION OF INDEPENDENT AUDITORS

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors.

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing our audit. The staff was helpful and assisted us in obtaining the information we needed to perform the audit. They were very timely in their responses which made the audit progress smoothly.

FINANCIAL AUDIT FINDINGS

Current Year Findings

Finding: The City does not have a formal written policy on fraud.

Recommendation: We recommend the City adopt a written fraud policy, including the definition of fraud, responsibility to report, City's response to alleged fraud, etc.

City's response: We agree with the finding. We are revising the employee manual and will address the policy in there.

Finding: The City should review the internal control policies and procedures throughout the various departments on an ongoing basis.

Recommendation: The City should review the internal controls policies and procedures regularly. When changes in staffing are made internal controls should be reviewed. Departments not located at the administration building should have regular reviews of the control procedures.

City's response: We agree with the finding and will implement the recommendation.

There were no prior year financial audit findings.

UTAH STATE LEGAL COMPLIANCE FINDINGS

Current Year Findings

Finding: State law requires officers and employees not to incur expenditures in excess of the total appropriated budget for any department or fund. There were departments that exceeded the budgeted expenditures.

Recommendation: We recommend the departments monitor the expenditures and amend the budget as necessary to be in compliance with State law.

City's Response: We will continue to monitor the budget and make amendments, if deemed necessary, to be in compliance with state law.

Finding: State law requires that funds have a positive fund balance. The Broadband Fund had a retained deficit.

Recommendation: We recommend the City monitor the fund balances for deficits. If feasible, the City should make operating transfers to maintain positive fund equity.

City's Response: During fiscal year 2003, the City purchased an existing high-speed broadband system from a private company. The start-up phase includes bringing up the existing system, upgrades, and expansion of the infrastructure. The City began providing wholesale services to internet providers during the fiscal year. The City anticipates the fund will be in a deficit position until user penetration and other broadband revenues will generate sufficient revenues to offset operating expenses.

Current Status of Prior Year State Legal Compliance Findings

Finding: State law requires officers and employees not to incur expenditures in excess of the total appropriated budget for any department or fund. There were funds that exceeded the budgeted expenditures.

Status: See current year findings.

Finding: State law requires funds to have a positive fund balance. The Broadband Fund had a retained deficit.

Status: See current year findings.

This information is intended solely for the use of the Mayor and City Council, management, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

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November 15, 2005